

# CO-OPERATION IN THE SOVIET UNION

*A Study prepared for the Fabian Society*

by

N. BAROU

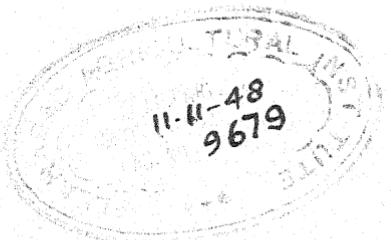
Ph.D.(Econ.), London

LONDON

VICTOR GOLLANZ LTD

1946

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*Printed in Great Britain by  
The Camelot Press Ltd., London and Southampton*

## CONTENTS

CHAP.	PAGE
PREFACE	7
INTRODUCTION	9
I. SOVIET CO-OPERATION IN GENERAL	11
(a) Political influences (11-14). (b) Geographical conditions (14-16). (c) Property rights (16-17). (d) Population (17-18). (e) Planned economy (18-20). (f) Planning and income (20-22). (g) Taxation (22-23). (h) Incentives (23-25). (i) Summary (25-26).	
II. AGRICULTURAL CO-OPERATION	27
(a) In Tsarist Russia (27). (b) After October, 1917 (28). (c) The New Economic Policy (28-30). (d) Collective Farming (30-32). (e) What is a collective farm? (32-34). (f) Mechanisation (34-36). (g) Productivity of labour (36-38). (h) Livestock (38-40). (i) Disposal of agricultural produce (40-43). (j) Remuneration (43-47). (k) Homestead farming (47-48). (l) National republics (48-49). (m) Personnel (49-50).	
III. CONSUMERS' CO-OPERATION	51
(a) Early developments (51-54). (b) Supply of industrial goods (54-56). (c) The changes in Soviet trade (1929-35): (1) scarcity and rationing (56-59); (2) State trading (60-61); (3) rural trade (61-63). (d) The rural consumers' co-operative system (63-67). (e) Pre-war position (67-71).	
IV. HANDICRAFT CO-OPERATION	72
(a) Before the October revolution (72). (b) The N.E.P. (72-73). (c) Planned economy (73-77).	
V. CO-OPERATIVE BANKING AND FOREIGN TRADE	78
(a) Introduction (78). (b) A National Bank (78-80). (c) The Ukrainbank (80-81). (d) The Credit Reform Act (81). (e) Foreign trade (81-83).	
VI. CO-OPERATION AND THE WAR	84
(a) Collective farming (84-88). (b) Rural consumers' co-operation (89-95). (c) Urban distribution (95-98). (d) Handicraft co-operatives (98-99).	
VII. CONCLUSIONS	100
(a) General (100-101). (b) Collective farms (102). (c) Handicraft co-operation (102). (d) Co-operative banking and foreign trade (102-103). (e) Consumer's co-operation (103-106)	

*Appendices*

	PAGE
I. POPULATION, URBAN AND RURAL, 1926 AND 1939 . . . . .	107
II. CLASS COMPOSITION IN 1913, 1928, 1934, 1937 AND 1939 . . . . .	107
III. THE OCCUPATIONAL DISTRIBUTION OF SOVIET WAGE AND SALARY EARNERS . . . . .	108
IV. COLLECTIVISATION OF AGRICULTURE . . . . .	109
V. DISTRIBUTION OF SOWN AREA AMONG DIFFERENT GROUPS OF PRODUCERS . . . . .	109
VI. THE WAR AGRICULTURAL EXECUTIVE COMMITTEES IN GREAT BRITAIN . . . . .	110
VII. LIVESTOCK IN THE SOVIET UNION . . . . .	111
VIII. THE PROPORTION OF CONSUMERS AND CAPITAL GOODS PRODUCED IN THE U.S.S.R., U.S.A., GREAT BRITAIN AND GERMANY . . . . .	112
IX. SOVIET TRADE . . . . .	112
X. SOVIET TRADING NETWORK . . . . .	113
XI. COLLECTIVE FARMING UNDER GERMAN OCCUPATION . . . . .	113
XII. CO-OPERATIVE EDUCATION . . . . .	116
INDEX . . . . .	119

## PREFACE

DURING THE LAST TWENTY-EIGHT years the Soviet co-operative movement, like the Soviet State itself, was confronted with the most difficult and complicated problems. Of these this book is the merest outline, no more than a preliminary study.

The story of that period, profoundly significant for the people inside the Soviet frontiers, is at the same time so full of lessons and suggestions for all those outside that the Soviet co-operators who were privileged to play a direct and leading part in it would confer upon the rest of the movement a great benefit if they would themselves publish an account commensurate with all that effort and achievement.

My own experience of it went up to the year 1931. Its developments thereafter I observed with undiminished interest and admiration, and tried to collect and collate the information available. Here, it is against the background of my experience of the world-wide co-operative movement that I have tried to describe and evaluate the outstanding and characteristic contributions of Soviet co-operation.

The book lays no claim to treat every aspect of the problem. The main reason for discussing it at all is my firm conviction that co-operation outside the U.S.S.R. not only can benefit from the lessons of Soviet experience, but badly needs to do so. My conviction is shared, I know, by many students of world co-operation.

The present study owes much to the initiative of Sir John Maynard. In 1942 he invited me to prepare one for the Anglo-Soviet Association. Before his death he read and discussed with me the main parts in manuscript and contributed valuable counsel and suggestions.

Some readers may find the account of the facts and the conclusions too optimistic. It should, however, be remembered that the co-operative system now established in the Soviet Union grew up during and between a revolution and two world wars. If I have not dwelt on the mass of individual suffering that accompanied its development and the shortcomings which the Soviet Press itself frequently and fully criticises, it is because I was trying to sketch the more clearly the positive results achieved and the obstacles and difficulties overcome, alike and simultaneously, by the State and the co-operative movement. They were

in many ways pioneers of new forms, obliged like most pioneers to pay the price of new experience. For world co-operation they blazed a new trail, in the light of which the rest of us may and ought to advance.

The strenuous years of 1942-5 in London were not the best background for scientific research. What I could do had to be done in spare time snatched from war work and other emergency duties. I am therefore greatly indebted to the many friends who helped me with advice, criticism or suggestion, as well as in shaping the final form.

Special gratitude is due to the Secretary of the Co-operative Union, Mr. R. A. Palmer, who headed the British Co-operative Delegation to the Soviet Union in November, 1944, both for reading the manuscript and for advice.

It is a pleasant duty to express my thanks also to Mrs. O. Abrahams, Mr. R. Bicanich, Mr. E. M. Chossudovsky, Miss M. Digby, Mr. M. Dobb, Mr. M. Edelman, M.P., Mr. J. C. Gray, Mrs. A. Klausner, Mr. J. Lander, Mr. J. Parker, M.P., Mr. B. Rahmer, Mr. Andrew Rothstein, Mr. L. Small, Dr. A. Steinberg and Mr. W. P. Watkins.

Finally, the book could never have been written at all or completed without the untiring help of my wife, Mrs. Sophie Barou.

*July 1945.*  
LONDON.

## INTRODUCTION

ALTHOUGH THE CO-OPERATIVE MOVEMENT, as we know it in Western Europe and the U.S.A., arose in conditions which are essentially characteristic of capitalist society, yet the principles underlying that movement and the experience we have gained from it will be of the utmost value wherever the transition from a capitalist to a socialist society is attempted. To effect that transition, however, it is not enough merely to understand how the co-operative movement works in such conditions. It is necessary to have a clear understanding of the difficulties which the movement will have to surmount during the period of transition.

A study of the experience of co-operation in the Soviet Union since the revolution of 1917 affords the best possible opportunity of facing the essential problems involved. The purpose of this survey is therefore to present the story of the co-operative movement in the U.S.S.R., in the hope that the lessons which it teaches will be of practical value to the Labour and Co-operative movements of the world.



## CHAPTER I

### SOVIET CO-OPERATION IN GENERAL

CO-OPERATION IS A LARGE-SCALE economic and social movement extending in one form or another across the world. It has not developed uniformly. One type of co-operation, while strongly organised in one group of countries, may have an almost negligible influence elsewhere. Taking the world as a unit, however, we can ascribe to co-operative enterprise the following main functions: (a) it protects the consumer and small producer against capitalist exploitation especially by monopolies and combines, (b) it provides an effective method by which its members can accumulate small savings and use them for their joint benefit, (c) as a new type of collective enterprise it is able to deal with the most difficult problems of both rural and urban economy,<sup>1</sup> (d) it unites the people, especially in backward countries, in their effort to improve the general conditions of their life, and, finally, (e) it is one of the best instruments of popular education in the practice of economic democracy.

In several important respects, Soviet co-operation differs completely from that in capitalist countries. Whereas the first two functions listed above are the main objectives of co-operation in a capitalist economy, in the U.S.S.R. this is not so. Soviet co-operatives do not have to form the first line of consumers' and producers' defence against combines, nor do they serve as channels for the accumulation of popular savings through dividends. In its handling of the other three tasks, however, co-operation as practised in the Soviet Union has done as much as the movement in any other country.

Besides differences in function, Soviet co-operation has assumed differences in form. In order to explain these, it is necessary to examine the historical conditions in which the movement developed and the social and economic characteristics of the Soviet system.

#### (a) Political Influences

In 1921, at the end of the Civil War and the War of Intervention, the Soviet Union was a very impoverished country. Its

<sup>1</sup> See Henric F. Infield, *Co-operative Communities at Work*, pp. 174 *et seq.* The Dryden Press, New York.

agricultural production was utterly inadequate for domestic needs and its industries had been shattered under the stress of prolonged wars.

The paramount need was to increase both agricultural and industrial production with all possible speed. That problem dominated all Soviet policy—all the more so as the Soviet Union still felt politically insecure in a hostile capitalist world and anticipated further instalments of aggression and war against her very existence. To the country's economic recovery, the co-operative movement was expected to make a great contribution. At the same time, if production was to be increased, the distribution of food and other commodities had to be kept going. Thus the co-operative movement had to face simultaneously the equally important tasks of maintaining distribution and of increasing productive output. During the initial decade (1918-28) co-operative societies were the only existing organisations capable of replacing the private trader and taking over the distribution of commodities and the marketing of agricultural produce and raw materials for industrial purposes. At the same time the development of rural production and handicrafts on co-operative lines showed good results.

At the beginning of the October Revolution the co-operative movement was not only large, but young and vigorous, for it consisted of nearly 55,000 local co-operative societies and millions of members.<sup>1</sup> The movement was politically-minded and a large proportion of its leadership and members supported Socialist parties—the Socialist Revolutionary Peasant Party and the Social Democratic (Menshevik) Party.

The Communist (Bolshevik) Party had not much influence among co-operators at this time, and it certainly could not rely on their support and assistance. There was, in fact, always a potential conflict between them, which came to a head when shortly after the October Revolution the Communist Party assumed complete and sole responsibility for the country's government. The Party did not underestimate the weight of the burden involved in adding to its control of the political machine the control of the co-operative and trade union organisations. Its central, regional and local committees were snowed under by the millions of decisions to be taken regarding co-operative activities alone. The Party leaders did not, of course, overlook

<sup>1</sup> Makarova, in *Consumers' Co-operation during the Ten Years of Soviets*, published in Russian in 1927, estimates the membership of the consumers' societies in Russia on January 1st, 1917, between 6 and 7 millions, and in January, 1918, between 8 and 9 millions.

the potential economy of time and effort if from the very beginning co-operatives and trade unions were given responsibility for making their own decisions on matters of detail within the framework of the country's agreed political and economic policy. In practice, this proved unworkable, however, for the following reasons: (a) rapid changes and the lack of certainty in the Party's general and economic policy which during the first years after the Revolution was overshadowed and largely dictated by military needs; (b) the hostility expressed by a considerable part of the co-operative organisations and their leaders to the aims of the October Revolution and to the Communist Party; (c) the failure of Party members to appreciate the potentialities of the co-operative movement, e.g. of its organisation and working machinery which it could put at the service of the Soviet State during the transition to socialism (Lenin, who clearly understood the immense possibilities of co-operation from the beginning, always had a very hard task in trying to convince the Party that they must not be wasted); (d) the absence among co-operative organisations themselves of the understanding and preparedness essential if they were to tackle their new tasks successfully.

In these circumstances, the Communist Party, if it was to be true to its political convictions, had practically no alternative to taking over complete control of the co-operatives.<sup>1</sup> Organised life had to go on at all costs, and the terrible heritage of Tsarist times had to be overcome and transformed in a very short time.

Nevertheless, after practically transforming the co-operative movement into a State-run institution, the Party did eventually find it necessary to restore its voluntary character: it was finally re-established as a voluntary mass movement and has ever since obtained more and more responsibility for the conduct of its business and the choice of its personnel. The state of planned economy requires, of course, that co-operative developments and activities should be in line with the general economic and social policy of the Soviet Union. In the years before political stabilisation was achieved, the Party had, in particular, to make sure that no unfriendly elements occupied responsible

<sup>1</sup> Many attempts had been made during 1917-18 to come to an agreement inside the co-operative movement with the socialist parties in regard to the reorganisation of the co-operative organisation and its operations. The decree of April, 1918, presented to a certain extent such a compromise, but the Czechoslovak rising in May-June, 1918, followed by foreign intervention and civil war, necessitated urgent action and centralisation. The decision was taken at the Third Congress of Workers Co-operatives (December, 1918) to introduce a single distributive apparatus and a decree to this effect was issued by the Government in March, 1919.

positions, gained influence in the movement, or otherwise became a menace. But during the last decade the movement has been granted more and more scope to manage its own affairs and take responsibility for them.

In general, this development looks like being permanent: with the growth of membership, the improvement of co-operative organisation and personnel, the accumulation of business experience and the development of educational machinery—the present trend of Soviet co-operative policy is likely to reach its logical conclusion. Co-operation is taking a permanent and important place in the life of the U.S.S.R. and is being accorded, along with the Party<sup>1</sup> and the trade unions, increasing responsibility in Soviet life.

#### *(b) Geographical Conditions*

The Soviet Union is a vast country. It stretches without a break across 8,220,000 square miles of Europe and Asia, an area more than twice the size of the U.S.A. or of China; just before the war it had a population of over 190 millions.<sup>2</sup> It is also the nearest approach to an economically self-sufficient State. These characteristics have a marked influence on the structure of the Soviet co-operative movement. The Soviet Union is so enormous that the number of local societies in each branch of co-operation reaches tens and hundreds of thousands. The running of such a system is necessarily both difficult and complicated. It calls for regionalisation and decentralisation and makes the development of local initiative a matter of the greatest importance. It necessitates at the same time a close co-ordination and an accurate execution of a complicated centralised system. This system may in fact be compared to a chain with many links,

<sup>1</sup> See Soviet Constitution, Art. 126. "In conformity with the interests of the toilers and in order to develop the organisational initiative and political activity of the masses of the people, citizens of the U.S.S.R. are ensured the right to unite in public organisations—trade unions, co-operative associations, youth organisations, sport and defence organisations, cultural, technical and scientific societies; and the most active and politically conscious citizens in the ranks of the working class and other strata of the toilers unite in the Communist Party of the Soviet Union (Bolsheviks), which is the vanguard of the toilers in their struggle to strengthen and develop the socialist system and which represents the leading core of all organisations of the toilers, both public and State."

<sup>2</sup> In 1939, when the last census of the population was taken, there were eleven Union republics in the U.S.S.R. with a population of 170,519,127. During 1940, five others were formed, called respectively the Karelian-Finnish, Moldavian, Lithuanian, Latvian and Estonian Republics: the addition of these brought the total population to over 190 millions. We will, however, use the figures of the 1939 Census when dealing with the occupational distribution of the Soviet population.

the highest being at the All Union level, and so on, through republican, regional and district links down to the local level.

If the 28,900 consumers' societies in the U.S.S.R. are compared with the 1,020 societies in pre-war Britain, 1,500 in Germany, 1,176 in France, 801 in Sweden or 1,300 in Switzerland, some idea is given of the complexity of the administrative problems, which the Soviet consumers' co-operative movement has to face. Indeed, the magnitude of the task can hardly be over-estimated. India and China apart, the Soviet Union has a larger number of inhabited places than any other country in the world, and in 1938 its civil administrative units numbered some 68,000. The magnitude of the task is mainly responsible for the fact that the same high degree of success which has been achieved by Soviet productive co-operatives cannot be claimed by the consumers' organisations;<sup>1</sup> the other principal cause being the prolonged shortage of consumers' goods.

The task of supplying tens of thousands of inhabited places spread over two continents has been so complex that it has called for a wide and rapid improvement of the existing distributive machinery. The number of the distribution units (over one million in 1912) was, however, at first allowed to decrease to 648,000 in 1927 and to 285,000 in 1933. Thereafter it began to increase, and by October, 1938, had reached 354,700, including 115,000 subsidiary trading units, such as stalls and kiosks. Interrupted by the war, these efforts will have to be resumed on a large scale now that hostilities have ceased.

The scarcity of goods, to which reference is made elsewhere, assumed proportions almost inconceivable to the Western mind and persisted practically all through the first eighteen years of the Soviet régime—with one short break during the period of the New Economic Policy. Since that was dropped, the population of the Union has known one period of only six years (1936–41) without rationing of food and other consumer goods. Before that the scarcity had necessitated at certain periods (1929–35) a differential system of rationing and supplies, under which the most important part of the remuneration for work done was the guaranteed ration.

Apart from distribution, the rural co-operative consumers' system has always played an outstanding part in the collection of

<sup>1</sup> In October, 1938, they were distributed as follows: village soviets, 62,699; regional soviets, 3,464; town soviets, 808; workers' settlements, 704; and urban settlements, 258. Altogether 67,913. "Trade in the U.S.S.R. is still a branch of national economy that lags behind in spite of the rapid growth in the commercial turnover of the country" (see *Development of Soviet Economy*, published by the Institute of Economics of the Academy of Sciences, 1940, p. 538).

food and raw materials both for consumption and for industrial supplies. Although a variety of methods has been used for this purpose, in all of them the co-operative organisations had to be called in and their help proved invaluable.

### (c) *Property Rights*

Another factor which has deeply influenced Soviet co-operative organisation is the character of property rights in the Union. Property rights in land, in the means of production and in transport are vested in the Soviet State alone, but the co-operative movement shares with the State rights in public property: thus, the Soviet Union is the only State in the world where the co-operative movement is recognised as the alternative to State organisation in regard to public property.<sup>1</sup> When land, which is State property, is occupied by collective farms, it is secured to them for free use in perpetuity, according to Article 8 of the Constitution. The distribution of various types of property, as between State and co-operative ownership, is set out in Articles 6 and 7 of the Constitution.<sup>2</sup>

The Soviet system of property rights has implied such a decrease in private ownership of the means of production, that the claim of the Soviet Constitution (Article 4)<sup>3</sup> to have abolished "the exploitation of man by man" is on the way to realisation and the influence of profit as the main incentive to work remains effective only for a smaller proportion of the population.

Soviet citizens are not affected by restriction of property rights

<sup>1</sup> See Article 5 of Constitution: "Socialist property in the U.S.S.R. bears either the form of State property (the possession of the whole people) or the form of co-operative and collective farm property (property of separate collective farms and property of co-operative associations)."

<sup>2</sup> State property is dealt with in Article 6: "The land, mineral deposits, waters, forests, mills, factories, mines, railways, water and air transport systems, banks, means of communications, large State-organised agricultural enterprises (State farms, machine and tractor stations and the like), as well in the cities and industrial localities, are State property—that is, the possession of the whole people."

Co-operative property is described in Article 7: "Public enterprises of collective farms and co-operative organisations with their livestock and implements, products raised and manufactured by the collective farms and co-operative organisations as well as their public buildings, constituted the public, socialist property of the collective farms and co-operative organisation."

<sup>3</sup> Article 4 of the Constitution reads as follows: "The economic foundation of the U.S.S.R. is the socialist system of economy and the socialist ownership of the implements and means of production, firmly established as a result of the liquidation of the capitalist system of economy, the abolition of private property in the implements and means of production and the abolition of the exploitation of man by man."

in so far as their personal belongings are concerned: here they enjoy full property rights and can own, buy, sell, donate, lend, borrow and leave to their families and friends every kind of personal property mentioned in Article 10 of the Constitution.<sup>1</sup> Private property rights are, thus, limited to personal property.

(d) *Population*

Of the Soviet Union's total population of 170 million<sup>2</sup> people, one-half belongs to wage- and salary-earning families. According to the last census, taken in 1939, this half consisted of workers and State employees<sup>3</sup> and their families; the workers comprising 54,566,283 persons, or about 32 per cent. of the whole, and the clerical and other employees 29,738,484, or nearly 18 per cent.

Among those classified as employees was a large group of professional and technical people, such as doctors, dentists, teachers, lawyers, engineers, writers and artists. At the Eighteenth Conference of the Communist Party held in 1939, Mr. Molotov estimated the number of professional, administrative and Civil Service personnel at about 11 millions. This professional group is employed on a salary basis in State, co-operative and other social institutions. They are allowed to engage in private professional practice in their spare time, and many earn a considerable income in this way.

Members of collective farms constitute the largest section of the Soviet population, numbering with their families 75,619,388, or 43 per cent. The property rights and economic interests of this group are described in Chapter II (see p. 32).

Next come the artisans organised in production co-operatives; with their families, they number 3,888,434, or 2 $\frac{1}{4}$  per cent. of the population. Their economic position is explained in Chapter IV (see p. 73).

There are also those who are not connected with State or

<sup>1</sup> Article 10 of the Constitution reads: "The right of citizens to personal property in their income from work and in their savings in their dwelling houses and auxiliary household economy, their domestic furniture and utensils and objects of personal use and comforts, as well as the right of inheritance of personal property of citizens, are protected by law."

The evolution of the legislation dealing with inheritance is of considerable interest. In 1918, the right of inheritance was abolished and the State had to take over without compensation the property of deceased citizens, except in the cases where heirs were total invalids. But already in 1923 the right of inheritance was restored, though it remained limited to 10,000 roubles per person. In 1926, this restriction was dropped—and the new Constitution puts no limits to the right of inheritance of personal property in the Union, though death duties are paid—10 per cent. on all properties exceeding 10,000 roubles.

<sup>2</sup> See Appendices I and II, p. 107.

<sup>3</sup> See Appendix III, p. 108.

co-operative activities but still work in their own households.<sup>1</sup> The number of individual farmers and their families in 1939 was 3,018,050, or about 2 per cent. of the population. The number of independent master-craftsmen (not members of co-operatives) was 1,396,203, or about 0.75 per cent. All these own their houses, machinery and implements, enjoy the use of their land and share with the rest of the population the private property rights enumerated in Article 10 of the Constitution. They cannot, however, employ hired labour. In addition, they are subject to much heavier taxation than the rest of the population.

The social composition of the population is clearly reflected in the co-operative movement. Members of collective farms make up the largest group of Soviet co-operators. The majority of them are also members, not only of the agricultural productive co-operatives, but also of rural consumers' societies. The great majority of artisans are furthermore organised in handicraft co-operatives. Wage- and salary-earners in rural districts are members of rural consumers' societies, but those in urban settlements have ever since the abolition of urban consumers' societies been served by State trading institutions.

#### *(e) Planned Economy*

To meet the contradiction between the individual peasant economy which had grown in importance during the period of the New Economic Policy and the development of nationalised industries, transport and credit, a radical change was effected in the years following 1928 through the adoption of the First Five Year Plan and the rapid liquidation of what remained of the New Economic Policy.

The planned economy was founded on State monopolies, rapid industrialisation, and the collectivisation and mechanisation of agriculture. In the following ways, it has changed the whole setting of Soviet life:

(a) It has put an end to the continuous sub-division of privately owned plots of land which was rendering agricultural units too small to be economic.

(b) It has considerably increased the volume and quality of agricultural production.

<sup>1</sup> The property rights of these two groups are defined by Article 9 of the Constitution. It reads: "Alongside the socialist system of economy which is the predominant form of economy in the U.S.S.R., the law permits small private economy of individual peasants and handicraftsmen based on their personal labour and precluding the exploitation of the labour of others."

- (c) It has increased the productivity of agricultural labour.
- (d) It has created conditions favourable to planned internal migration and to the transfer of millions of farmers to the east and to Siberia, thereby helping to develop the vast natural resources of these lands and facilitating the task of production in times of invasion.
- (e) It has made possible the transfer of 15 million peasants from rural to urban occupations, thus setting free a vast industrial army, and doubling the Soviet urban population between 1926 and 1939.
- (f) It has created a vast market—based on 30 million wage- and salary-earners and on a great army—for home-grown agricultural produce.

The vast and rapid extension of the output of millions of small agricultural producers has become possible only with the development of collective and mechanised farming, together with the introduction of machine tractor stations, which supply large-scale equipment.

Within this framework of a planned economy, Soviet co-operatives have been reasonably successful. This is largely due to their operation in small units. Collective farms, handicraft co-operatives and rural consumers' societies are run as local bodies with directly elected management boards, and are thus founded on the principle of local democracy. Most of them are not too large for all the members to know one another, and this personal factor is, it seems, one of the main reasons for their success. In 1938, a collective farm contained on the average seventy-eight households,<sup>1</sup> the average membership of a consumers' society was about 1,250,<sup>2</sup> and that of a handicraft co-operative society about twenty-five, though differences in size are very great.

A third reason for the achievements of Soviet co-operation is the proper integration of the local co-operative effort in the planned economy of the vast country with its regional divisions.

Novel though the social and political conditions of Russia may be and revolutionary though the very conception of a planned economy may sound, the co-operative movement there has always

<sup>1</sup> Professor V. A. Karpinski, in his booklet, *What are Collective Farms?* (1944, London), p. 23, writes: "The modern *kolkhos* is a mighty mechanised farm. The area under cultivation averages 1,250 acres per *kolkhos* for the Soviet Union as a whole. . . . The average for the whole Soviet Union is 82 peasant families to a *kolkhos*, it has an average of 65 head of horned cattle, about 113 sheep and goats, 56 horses and 35 tractor horse-power."

<sup>2</sup> Recent information indicates that the average size of the rural consumers' societies at the end of 1944 was about 2,000 members.

been justly proud of its strict adherence to the basic principles of the Rochdale pioneers. Even allowing for the adjustments required by the quite new conditions obtaining in the Union, it can be fairly said that Soviet co-operation has remained loyal to that inheritance.

Thus, in every branch of co-operation membership is still voluntary, though the fact that rural consumers' co-operatives are often the only distributive agency in the villages leaves consumers without a great deal of choice; nobody is, however, compelled to become a member, and non-members are permitted to make purchases at village co-operative stores.

The control of each society is vested in its members, who exercise their democratic rights, electing the board of management and the auditing committee by secret ballot at general meetings, in which a great majority of the members participate regularly. The principle of dividend on purchases is recognised as in other countries and provided for in the rules of societies, even if, in practice, members use the surpluses for other purposes (see p. 89).<sup>1</sup> No interest is at present paid on capital, because the societies do not encourage deposits and co-operative trade is conducted on a cash basis.

Finally, the principle of political neutrality (the authorship of which later generations of co-operators tried to saddle on the Rochdale pioneers, though it is doubtful if this principle was in reality accepted by them) has rapidly lost ground in the co-operative movement in Russia, as indeed all over the world, not excluding Great Britain. It is easy to understand that Russian co-operatives were never keen on this principle, but ranged their forces on the side of the political parties fighting the Tsarist régime. It is small wonder that that old "political" tradition has been maintained by Soviet co-operation.

#### *(f) Planning and Income*

The social composition of the population, combined with the development of State planning, has greatly influenced the distribution of income and the practice of co-operation in the Soviet Union. State planning implies regulating the scope of, and the relations between, production and distribution; thus, it

<sup>1</sup> Mr. R. A. Palmer, after the visit of the British Co-operation Delegation to the U.S.S.R. in November, 1944, remarked, when speaking about Soviet co-operative dividend policy: "I feel that our movement would have been much stronger had this policy been applied here" (see *Co-operative News*, December 4th, 1944).

effectively does away with the crisis endemic in capitalist economy. The distribution of income is constantly adjusted to fit the economic policy of the country, and this is achieved partly as a result of planning itself and partly by an elaborate system of direct and indirect taxation—in particular the turnover tax. The selling prices for all the main commodities are fixed through the Soviet planning institutions, as are wages and salaries, in agreement with the appropriate trade unions; they also regulate the charges made in wholesale and retail distribution.

Owing to the new structure of Soviet society, such terms as "income," "profit," "interest," and "investment" have acquired new meanings, profit-making being no longer the predominant incentive to produce. Yet income equality has not become a ruling economic principle. The income of one person may be much more or much less than that of another. The wages and salaries of workers and the remuneration of collective farmers vary according to the quality and quantity of work performed and the craft, profession and ability of the worker.

The average wage of all workers in the Soviet Union in 1940 was 4,020 roubles a year, or about 335 roubles a month, having increased from 2,265 roubles in 1935 to 3,090 in 1937, and to 3,800 roubles in 1939. But many Stakhanovite workers, engineers, doctors and other professional men earn as much as 1,500 to 2,000 roubles a month, while outstanding artists, scientists and writers earn as much as 4,000 to 5,000 roubles a month. This is supplemented by a system of generous rewards, bonuses and premiums for special performance and discoveries or improvements.

Earnings can be expended on consumers' goods and services, or invested in State loans, which pay a fixed rate of interest. In the U.S.S.R., however, there is very little possibility of investing income in such a way as to exploit the labour of others.

It may be asked why under Soviet conditions there still is a desire to save when, with full employment and a developed system of social security, savings might be expected to move towards vanishing point. It is true that all Soviet workers can get employment, but in peacetime they like to choose what it will be, and their personal savings enable them to look round for a job, if they so desire. Again, although the existing social security provision assures an old-age pension and support in times of illness or accident, the rates of such pensions are so modest that personal savings represent a welcome and usually a necessary addition to their income. Besides, the ingrained habit of saving has not lost its appeal. In fact, it has always been

encouraged by the Soviet Government; at an early stage State loans were introduced as a budgetary method of raising funds,<sup>1</sup> partly to diminish the danger of inflation arising from scarcity of consumers' goods.

Finally, although State ownership of land and of the means of production leaves no room for indulgence of the acquisitive spirit in these domains, that spirit remains a considerable force in private life or in the homestead work of collective farmers; and is gratified by unlimited freedom to own and to dispose of the property that can properly be called personal.

#### (g) *Taxation*

The main source of taxation in the Soviet Union before the war was the turnover tax. Like the purchase tax which was introduced in this country during the war, it is a percentage addition to the wholesale price of specified commodities. The wholesale organisations add this percentage to the operating price and collect it for direct transfer to the Treasury when the goods are sold to the retail distributing units.

The Soviet turnover tax serves to adjust the price of relatively scarce goods in the market; when some goods are in very short supply, a high turnover tax of, say, 200 per cent. is added to the sale price of the article, thus effecting the necessary restriction of consumption. The surplus of price over the cost of production and distribution thus accrues to the State, and the reserves so accumulated can be used to subsidise goods of cultural value, by bringing their selling price below the cost of production. With the help of the turnover tax,<sup>2</sup> therefore, the State guides the direction of the people's purchasing power and withdraws from circulation a considerable amount of liquid resources, which it can use for development purposes.

Income tax in the Soviet Union is designed, not only on a

<sup>1</sup> During the First Five Year Plan, State loans contributions to the Budget amounted to nearly 6,000 million roubles; during the Second Five Year Plan to 19,000 million roubles; in 1938-42 to 41,000 million roubles, and in 1943 to nearly 18,000 million roubles. It is estimated that in 1944 they have reached 25,000 million roubles. The loan was actually over-subscribed at 28.1 milliards. Revenues from loans constituted 4.4 per cent of all Budget revenues in 1941, 6.5 per cent in 1942, 8.5 per cent in 1943, and they are estimated 10 per cent in 1944. During the years of the First Five Year Plan the population received in interest and lottery prizes 854 million roubles on the State loans; in the Second Five Year Plan 4,226 million roubles, and from 1938 to 1943 4,608 million roubles.

<sup>2</sup> The importance of turnover tax in the Soviet Budget can be seen from the

progressive scale, as in this country, but also on a differential scale according to occupation. Members of co-operatives, for example, pay a lower tax on income derived from their co-operative activities than many other income-earners. The lowest-paid category of workers (those earning below 150 roubles a month) is altogether exempt from income tax. Higher incomes derived from wages and salaries are taxed at an overall rate of 44 per cent. to 8.2 per cent. In addition to the tax, there is a special levy devoted to the improvement of cultural and living conditions.

Artisans who are not members of co-operatives pay a graduated tax varying between 3 per cent. and 50 per cent., and the exemption limit is only about 50 roubles a month.

In accordance with new legislation (June, 1943) the income from each homestead must be assessed individually. This agricultural tax is charged on a progressive scale (from 8 per cent. to 15 per cent.) on all incomes up to 8,000 roubles and 30 per cent. on incomes above 8,000 roubles.

In the case of income derived from individual enterprise, e.g. the income of independent farmers or artisans who sell their farm produce or manufactured goods to the public, there is no exemption limit and the rate of taxation of the individual farmer is doubled.

#### *(h) Incentives*

What real incentive to work can remain in an economy that strives to exclude the profit motive?

When dealing with the incentive to work in the Soviet Union, one must clearly distinguish between the position of three groups

following comparative table covering the years 1940 to 1944 (in billions of roubles: 1 billion=1,000 millions):

	1940	1941	1942	1943	1944
Revenue, including turnover tax:	180	217	—	210	246
Turnover tax:	106	125	106	71	80
Percentage of turnover tax to total revenue:	59%	57%	—	34%	32%

It is evident from this table that the turnover tax used to be the main source of revenue. During the thirties it provided more than two-thirds, and in the last pre-war years about three-fifths of the total income. The war figures show a very drastic cut in the supply of consumers' goods which chiefly produce the income from the turnover tax. The turnover tax was increased by 100 per cent in 1942, and this fact explains why the income from this source was nearly as high in that year as in 1940.

of the population: (1) the wage- and salary-earners: (2) the members of collective farms and handicraft co-operatives; and (3) the small individual producers, who are mainly interested in the success of their household economy. Clearly, the profit motive has less *raison d'être* in a country half of whose population is employed directly by the State, local authorities or by trade unions, co-operatives and other voluntary organisations.

The overwhelming majority of the remaining half of the population work in collective farms and in handicraft co-operatives. Every member gets a share of the surplus produced by co-operative effort and is directly interested in the success of their productive activities. Members of collective farms gain from work done on their homesteads an additional income which is of considerable assistance to their personal budgets. They have the right to sell their own produce at the collective farm markets, and such sales bring in a good deal of money. However, in order to preserve the essential basis of the Soviet economic system, the economic activity of collective farmers on their homesteads is kept within definite limits through planning and taxation.

An examination of the Soviet Union's retail trade turnover in 1937 shows that 76 per cent. of it was State and co-operative trading, 16 per cent. market trading, and 8 per cent. the catering trade. The proportion of retail trade conducted through markets was on the increase, and *Pravda* reported in 1940 that collective market trading is responsible for 18 per cent. of the whole turnover of retail trade.

Finally, the 3 per cent. of the population engaged in individual enterprise play only a small part in the national economy, and the present system of taxation prevents them from becoming a menace to the collectivist character of the Soviet State.

In the Soviet Union the moral and social incentives to work are probably no less important than the material and individualist ones. Indeed, in the field of creative work, we believe them to be of greater importance. The co-operative movement itself is greatly influenced by a new approach to work. Such an approach is, of course, in the very spirit of co-operation, which not only faces up to economic realities, but, with the mutual assistance which it implies and embodies, provides a moral incentive of great force; and members of the Soviet co-operatives are among its enthusiastic supporters.

This moral incentive derives from the new status acquired in the Union by manual and intellectual workers. As the Constitution puts it: "Work is a matter of honour, as well as of necessity." Everyone is encouraged to show initiative and a

creative approach to his work, not only by paying wages premiums and rewards on the basis of results, but also by wide publicity and by consequent promotion in both the social and the political fields. Men and women, young or old, working on the land or in the factory, can ask for technical help and receive encouragement and assistance from special technical and scientific workers, if during the study of their work they devise means of improving methods or output. If their ideas lead to economies in labour or material or to better output, they claim and receive some share in the gains. Better still, as such initiative has the support of the Party administration, its successful results are given wide publicity and applied wherever suitable elsewhere.

Furthermore, a sporting instinct of emulation or competition is encouraged and publicised. This "Socialist Emulation," conducted on a national scale in every sphere of economic and cultural life, is producing notable results. Soviet sportsmen meet in friendly contest, not only on the playing grounds, but also in the fields of production and invention. Such efforts are now finding expression, not only in the working life, but also in the folklore of the Soviet people. In the minds of Soviet children a new, scientific imagination is appearing. Present-day fairy tales contain, not only stories of the past showing man's earlier helplessness before natural forces, not yet understood and mastered, but stories of the present—of the men who conquer Nature and make it their servants for the good of all.

#### *(i) Summary*

In the light of the influence so diversely exercised by the Soviet economic system upon the character of Soviet co-operation, one can see why the latter differs so much from the co-operative movement in capitalist countries.

In the Soviet Union the free marketing of goods is kept within limits. The amount of goods produced, their quality and range, the cost of production, the charges of each selling organisation (wholesale and retail) are determined and regulated by the State or regional planning institutions in which co-operative organisations are represented. The interests of the consumers are there represented to some extent by the consumers' co-operatives, which take an active part in general planning and the placing of orders with industry and which put forward the demands and the criticisms of their members.

What Soviet co-operative organisations cannot do, however, is

to manipulate the market in the interests of their members, as is done under capitalist economy, nor can they reduce prices or improve the quality of manufactured goods by introducing bulk selling or bulk purchasing, though they can exercise a "consumers' choice" policy for their members through agreements concluded with industrial concerns.

As institutions to encourage savings, Soviet co-operatives play but a small part, because discrepancies between buying and selling prices are limited. They do not accumulate large profits, as profits are transferred to the Soviet Budget mainly through the turnover tax. State loans are floated periodically among the whole working population, and any savings which are not used to satisfy consumers' needs or personal interests are usually placed in these loans.

It would therefore appear from this description that the Soviet co-operative movement, free from the competition of private enterprise, has made a great contribution to the development of new types of co-operative organisation and activities. The collective farms are one new type of co-operative enterprise—one which may open wide horizons for co-operative pioneers in many countries. The co-operative large-scale organisation of backward regions in the Soviet Union is something still unsurpassed elsewhere; so, too, is the establishment of a widespread network of co-operative educational institutions and the mobilisation of millions of voluntary co-operative workers into management bodies which act as a large school for education in practical democracy.

So far we have outlined the background and the main characteristics of the co-operative movement in the Soviet Union and shown wherein they resemble and differ from those of capitalist countries. We shall now deal separately with each type of Soviet co-operatives—agricultural, consumers', handicrafts' and banking.

## CHAPTER II

### AGRICULTURAL CO-OPERATION

#### (a) *In Tsarist Russia*

WE SHALL UNDERSTAND BETTER the role played by agricultural co-operation in Soviet Russia if we begin by comparing the position to-day with that which it held before the October Revolution.

Russia has always been a predominantly agricultural country. In spite of a quarter of a century's vigorous industrialisation, 66 per cent of the people were still inhabitants of rural districts in 1939, compared with over 80 per cent. in 1913 (see Appendix I, p. 107).

In Tsarist Russia about two-thirds of the fertile soil was in the hands of landowners and rich farmers, and the greater part of the peasantry suffered bitterly from a lack of land. There was, in addition, a great shortage of machinery, horses, and agricultural implements: 30 per cent. of the peasants had no horses, 34 per cent. had no implements and 15 per cent. had no arable land.

To remedy this state of affair the Government began to introduce agrarian reforms before the end of the nineteenth century, though its methods were timid and slow. Despite the strict supervision of the Tsarist police, agricultural co-operation made considerable progress also in the first years of the twentieth century. Co-operative societies were looked on with suspicion, because they always tended to bring together the more independent and progressive kind of people. For all that, however, local government institutions (*zemstvos*) had already done good work in preparing the ground for the development of co-operatives.

As in the other agricultural countries of Europe, rural co-operation in Russia started with credit and consumers' societies: the development of producers', purchasing, marketing and insurance societies was more gradual. Their emergence in that order was contrary to the expectations of many Russian co-operators, who believed that, since the peasants lived and worked in a communal way, co-operation would develop essentially as a peasant producers' movement.

(b) *After October, 1917*

At the time of the October Revolution the co-operative movement was flourishing. It consisted of 25,000 consumers' societies, 16,500 credit and loan associations, 8,000 agricultural societies (processing, marketing and purchasing) and about 5,000 productive societies composed of rural workers or craftsmen. Central co-operative organisations were well established, the most important national bodies being the *Centrosorus* (the Consumers' Co-operative Wholesale Society), the *Selskosoyus* (the Agricultural C.W.S.), the Moscow *Narodny* Bank, the central financial institution of the movement, and the *Zakupsbit* (the C.W.S. of the Siberian Co-operatives). The great economic and social changes which followed the October Revolution, viz. the nationalisation of the land and of the means of production, profoundly affected the co-operative movement and more especially the rural societies. The bitter civil war and the war of foreign intervention forced the Government to requisition agricultural produce on a large scale and created a serious scarcity of consumers' goods.

Since most of the leading co-operative organisations in the country were in opposition to the Soviet Government, it did not feel confident of securing their loyal collaboration. Hence the decrees of April 11th and 22nd, August 8th and September 26th, 1918, which temporarily converted the co-operative societies into State institutions—or “consumers' communes,” as they were called. The purpose of these decrees was twofold: on the one hand, they aimed at ensuring that the influence of working-class elements friendly to the Government inside the co-operative movement would predominate; on the other hand, they endeavoured to use the existing machinery of the consumers' co-operative societies in order to procure food for the urban population by getting the farmer to trade his produce through the rural consumers' societies in exchange for agricultural machinery, implements and consumers' goods.

(c) *The New Economic Policy*

During the two years of civil war and foreign intervention the level of agricultural production fell catastrophically, and its revival was a most urgent task. The paper *Economic Life* stressed the danger of deterioration of agriculture in these words: “If the Soviet Government does not want to gather weeds instead of grain in the near future, heroic steps must be taken to get the peasants' work properly organised” (November, 1920).

The rebuilding of rural co-operation was essential to the restoration of Soviet agriculture.

The decree of April 19th, 1921, re-established the right of individuals to set up agricultural co-operative societies. It authorised the formation of rural co-operatives for the production, disposal and processing of agricultural produce, as well as societies for the supply of the necessary tools and machinery. Its result was to break up the "Consumers' Communes" and to revive voluntary co-operative organisation, whose establishment the decree of May 17th, 1921, permitted by simple declaration. The same method was used in forming provincial agricultural unions. Further legislation authorised the agricultural societies to employ hired labour. In August, 1921, at a congress called in Moscow, the All-Russian Union of Agricultural Societies was set up technically re-establishing the old *Selskosoyus* (see p. 28). The new organisation, partly composed of the old leaders of the agricultural co-operative societies, had the following aims:

1. To collect the surplus output of peasant farming and to organise its disposal.
2. To supply the peasant with means of production—implements, fertilisers, seed, grain, livestock, etc.
3. To restore agricultural co-operation to its former position in rural production.

The new organisation grew very rapidly: it called special conferences of flax- and hemp-growers, seed-producers, potato-farmers, fruit- and vegetable-growers, and at the beginning of 1922 organised national unions for these special branches of agricultural production.

Along with the re-establishment of the All-Russian Co-operative Bank of 1921, the All-Russian Co-operative Insurance Union was restarted: the money for its shares was subscribed by the different central co-operative organisations, and it took responsibility for the insurance of co-operative goods and operations.

All these re-established branches of the co-operative movement had to carry on co-operative distribution, marketing, production, credit and insurance activities under new Soviet conditions. Up to a point, they were successful, and the scope of their organisation and activities rapidly increased all over the country.

During the period of the New Economic Policy, agricultural co-operation made rapid strides. According to the information available, there were in 1927 80,000 agricultural co-operative units of different types, such as credit and marketing societies, creameries, societies for purchasing machinery, and about forty different types of specialised societies for dealing with particular

crops or animal produce, such as flax, hemp, eggs and butter. These 80,000 societies had about 10 million members. In the foreign trade of the Soviet Union, too, co-operative organisations played an important part during this period. In point of fact when foreign trade with Great Britain was resumed in 1921, it was done by the representatives of the *Centrosoyus* (C.W.S.), who acted for the Soviet State. Following the beginning, the central consumers' and agricultural co-operative societies established agencies in Great Britain, the U.S.A., Germany, France and Latvia.

There were, however, no important changes in agricultural technique during the first ten years following the October Revolution. The small peasant farm, run by primitive methods and with little agricultural machinery was the prevailing type. The total grain harvest in 1928 was even less than before the Revolution. Only about one-eighth of the grain on the market came from small peasant farms. In 1928 over one-third of all the 25 million peasant farms still belonged to poor peasants, who earned their living mainly by working as labourers for other farmers. It became increasingly evident that nothing short of a radical reorganisation of Soviet agriculture—its mechanisation and scientific development—could possibly improve the position of the poor peasants or create a sound basis for the rapid industrialisation of the country.

As a matter of fact, during the first ten years of the régime, the Soviet Union tried out various ways of fostering nationalised industry and private rural and urban family enterprise side by side, but had eventually to come to the conclusion, in the long run, that none of them could succeed.

The main difficulty which agricultural co-operative societies had to face during this period resulted from the growing contradiction between the socialist aims of the Soviet Union and the aftermath of the New Economic Policy. Stalin summarised the problem as follows: "You cannot base the Soviet State and the building of socialism during a too long period on two different principles: the largest unified socialised industry on one hand, and the most backward unorganised rural small trading economy on the other hand."

#### (d) *Collective Farming*

The wide development of co-operation showed the Soviet farmers the value of collective work. The rural consumers' co-operatives handled more than half the supplies of the countryside,

and the marketing co-operatives were responsible for the disposal of vast quantities of farm produce. The dairy co-operatives had nearly a million members. It was only one step, though a very important one, from processing co-operation as performed by the dairy co-operative societies to collective farming.<sup>1</sup>

Collective farms make, in the first instance, for considerable economy of land and labour. By joining up small patches of land previously separated by hedges and roads ("fragment agriculture," as Sir John Maynard used to call it), not only did much more land become available for cultivation, but valuable time was also saved which had been spent in travelling around the scattered strips into which the old peasant holdings had generally been split up. Thus, even before the wide introduction of mechanisation, poor peasants were gaining a great deal from collective farming. With the advent of mechanisation, however, the whole structure of agricultural producers' co-operation was changed and the various central organisations dealing with special crops or animal products were absorbed into the new U.S.S.R. Commissariats of State Farms and of Agriculture respectively.<sup>2</sup>

The introduction of planned economy and of mechanised and collective agriculture radically changed therefore both the position of the rural population and the structure of co-operative organisation. In 1938, 18,843,000 peasant households were organised<sup>3</sup> in 242,400 collective farms comprising, according to the Soviet Census of 1939, about 43 per cent. of the whole

<sup>1</sup> The reasons for selecting the collective farm type for collective agriculture are explicit in the Model Statutes for Agricultural *Artels*, Article I, under "Aims and Objectives": "The agricultural workers, poor peasants of the village of . . . district . . . region. . . voluntarily unite in an agricultural *artel* in order to build up with common means of production and common organised labour, a large collective farm, and thereby to secure a real and complete victory over the *kulaks*, over all exploiters and enemies of the toilers, a real and complete victory over poverty and ignorance, and over the backwardness of small individual farms, and to guarantee a high productivity of labour and a large marketable output of the collective farms" (Stalin, *Building Collective Farms*, New York, 1931). See Model Statutes for Agricultural *Artels*. See *Co-operative Communities at Work*, by Henrik F. Infield, p. 111 (Dryden Press, New York, 1945), giving a very interesting account about the working of such communities all over the world.

<sup>2</sup> Compare Webbs, Vol. I, p. 286.

<sup>3</sup> Professor Karpinsky, in *What are Collective Farms?*, gives the figure of "19,300,000 peasant families in the Collective Farms in 1939-40 or 96.9 per cent of peasants collectivised, with 99.9 per cent of the peasant farm lands in collective farms" (see p. 22). He indicates that during the period 1932-9 the area under the cultivation of collective farmers increased from 228,750,000 acres to 380,500,000 acres (see p. 36).

population of the Union (see p. 109, Appendices IV and V).<sup>1</sup>

A collective farm had (in 1938) an average of 50 acres of land per household or 3,800 acres per farm, of which acreage 1,200 acres were under crop. This figure was higher in some districts, for example in Kalmukia, the cattle-breeding area, it was about 387 acres and in the Kazakh Republic about 300 acres.

The amount of land held by individual farmers who were not members of collective farms was insignificant, representing in 1939 only just over 1 million acres, or 0.3 per cent. of the total sown land.

#### *(e) What is a Collective Farm?*

A collective farm is a working community of local farmers' families who pool their resources to work together under an elected management committee. The members also elect at a general meeting a revision and auditing committee.

The Management Committee is responsible for running the collective farm, allocating work, disposing of the surpluses and distributing the income in kind and in money. Sometimes the chairman of the collective farm is an outsider—usually a man with experience in organising, though not always with agricultural experience, and he is usually recommended by the Party Committee or cell. In recent years, however, the collective farm movement has produced more and more responsible and experienced men from among its own members, and the number of outside administrators is diminishing.

Working on the collective farm is a full-time occupation for all members, but in any spare time they may attend to the private plot of land attached to their homestead. Household and communal tasks are included in the normal allocation of work. Special nurseries for babies and schools for children are maintained by the farms. In busy seasons, community kitchen and common catering are also organised as part of the collective farm work.

How is discipline maintained in a collective farm? The working members are grouped in teams and work is allocated, not to individuals, but to the organised groups (teams or squads). Team

<sup>1</sup> In addition to the collective farms, there were in the Soviet Union on January 1st, 1939, 3,957 State farms divided into the following five main groups: (1) 1,749 for cattle, pigs and reindeer-breeding, sheep-raising and studs; (2) 816 suburban farms, chiefly for vegetables, dairy produce and miscellaneous; (3) 813 for cotton, tea, tobacco, fruit and wine-growing; (4) 477 for grain-growing; and (5) 102 for poultry-raising. These farms occupied 168,000,000 acres, of which over 30 million acres represented in 1938 the sown area: they had 2,597,000 head of cattle, 1,830,000 pigs and 5,676,000 sheep.

leaders check the amount and quality of the work done by their members. A member who does not fulfil his duties adequately can be punished by public admonition: his name can be posted on a notice board; he can be fined or transferred to lower-paid work; he can be required to work for a certain period without pay; and, as a last resort, he can be expelled from the farm. Expulsion can only be carried out by the general meeting after a majority vote in favour of such a punishment. When a man is expelled from a collective farm, he is not "paid out," and he cannot take away with him anything belonging to the farm.

Collective farming is a new approach to agricultural co-operative production. Besides presenting a new dynamic type of co-operative organisation, it provides an example of that progressive form of co-operative self-government under which leaders are gradually thrown up from the ranks.

Collective farming in the Soviet Union thus differs from other forms of agricultural co-operation in the following way:

(a) Collective farms are working communities, and the work on the farm is the *main* occupation of the great majority of its members. In other countries the main work of the farmer is done outside co-operative societies. As compared with a collective farm, the older types of agricultural co-operation render only special and supplementary services, extraneous to the main daily round of work, such as processing, marketing, supply, credit and insurance.

(b) Collective farms concentrate on production, and under Soviet conditions have no need to organise on co-operative lines the supplementary services, such as credit or insurance, these being performed by the State Bank and State insurance institutions. There are no special marketing co-operative societies in the Soviet Union, since the collective farms sell their products to the State purchasing organisations, to rural consumers' co-operative societies and to individual urban consumers (see p. 42).

(c) Collective farms also differ from other agricultural co-operative societies in the way members are admitted. In the Soviet Union any farmer who lives in a certain locality and wants to join a collective farm is entitled to become a member if he is willing to pool his resources<sup>1</sup> and land, and to submit to the rules

<sup>1</sup> The resources of the new member are estimated at their cash value. Up to 75 per cent. of such value is regarded as his contribution to the funds of the collective farm: the rest and the entrance fee of the new member are transferred to the farm sinking fund. A member has the right to leave the collective farm, and his contribution is then returned to him in cash. The land is not returned, but remains in the collective farm, the withdrawing member having the right to claim land elsewhere (compare Karpinsky, *ibid.*, p. 25).

and discipline of the farm; elsewhere, agricultural co-operative societies can either agree or refuse to admit any prospective member, though they are usually open to any newcomer of good character.

(d) Collective farms operate under the conditions of a planned economy, of nationalised means of production and transport, and of the Soviet one-party political system. Economic plans define the production programme of the collective farms, their minimum working time, the scale of their contribution to the State Budget, and a considerable part of their marketable produce is subject to a rigid policy of price control.

(e) Collective farms are the main institutions for the planning of rural economy; it is no exaggeration to say that without them a planned economy in general would be impossible. The most important stages in planning agricultural production are (1) the drawing up of production plans, (2) making income and expenditure estimates for the collective farms, (3) drawing up plans for the development of Machine Tractor Stations, and (4) conclusion of agreements between machine tractor stations and collective farms.

Each farm prepares its own plan and puts forward its suggestions in accordance with its resources and manpower. On the other hand, the special planning institutions supply them with a suggested yearly plan for consideration. Such plans are discussed in general meetings and then go back with amendments and suggestions to the planning office, which takes the final decision. This participation of the whole membership in discussions of the plan develops a sense of responsibility and makes members actively interested in its success. No less important is the fact that it helps to teach members to take part in the management of their affairs.

#### (f) Mechanisation

Every effort has been made to improve agricultural technique by the application of machines and science to all spheres of rural work. Modern agricultural machinery has been introduced on a gigantic scale and a rural population, which at the beginning of the twentieth century was still using wooden ploughs, has now become mechanically minded. The store and capital equipment has increased considerably during recent years: in 1939 collective farms owned 5,008,400 ploughs, 708,500 sowing machines and 29,800 threshing machines and reapers. Between 1936 and 1939 threshing machines increased one and a half times in number, and lorries and cars five and a half times.

The success of the collective farms was, however, largely due to the technical assistance given them by State machine tractor stations (M.T.S.). The concentration of agricultural machinery in the M.T.S. has made possible a much more efficient distribution of it to the farms which had need of it. The M.T.S. serve also as a channel through which new agricultural techniques are transmitted to collective farmers, and for this reason too they are responsible to a great extent for the success of Soviet agriculture. A M.T.S. is equipped, on the average, with the following machines: 84 tractors averaging 15 h.p. each, 22 combine harvesters, 14 threshers, 60 tractor-drawn seed drills for grain, and many other machines.

The following description gives a clear picture of the work of the M.T.S.: "The M.T.S. bear no likeness whatever to centres where machines are hired out. Each M.T.S. works for a group of *kolkhozes* (collective farmers) on the basis of special contracts. One M.T.S. serves an average of 30 *kolkhozes*. The contract between the M.T.S. and each *kolkhoz* individually determines by mutual agreement the obligation undertaken by each party. Each party is held responsible by law for the fulfilment of these obligations.

"The M.T.S. undertakes, by the employment of its machines and implements and with the help of its technical and agronomic staff, to fulfil all work contracted for within a certain time, ploughing, cultivating, sowing, reaping and threshing. Fallow and autumn ploughing and autumn sowing is done by the M.T.S. on credit (non-interest-bearing) to be paid for out of the following year's harvest.

"The M.T.S. also undertakes to render the *kolkhoz* constant help in planning correct crop rotation, in organising production and organising labour, in distributing income, and in training *kolkhoz* workers."<sup>1</sup>

Between 1934 and 1939 the number of M.T.S. nearly doubled: the increase in the number of tractors was twofold and in harvester combines twelvefold.<sup>2</sup>

In addition the M.T.S. owned 160,000 motor trucks and 105,000 threshing machines: machinery which they supplied did

<sup>1</sup> *What are Collective Farms?*, by V. A. Karpinski, pp. 19-20.

2 On January 1st	1934	1939
Number of State machine tractor stations	3,533	6,470
Number of tractors . . . . .	194,100	394,000
Number of harvester combines . . . . .	10,400	127,200

Before the outbreak of the Soviet-German War the number of stations had increased to 6,647 with 496,000 tractors and 140,000 harvester combines.

much of the sowing, threshing and harvesting on the collective farms and the number of these farms served by them nearly doubled in the four years (1934-38) increasing from 106,700 to 198,000. In recompense for their manifold services the M.T.S. get a share of each collective farm's crop. The share is determined by special rates, fixed for each class of work: thus, for threshing grain from 4 to 6 per cent. is paid in kind. The total rate for all services may amount to 16 per cent. Such payments in kind are collected for the M.T.S. by the State Grain Collecting Department (see p. 41). In recent years the amount of work done by the M.T.S. for the collective farms has gone up by leaps and bounds.<sup>1</sup>

This experiment with Machine Tractor Stations, as centres not only for the supply of tractors, harvester-combines and repair shops, but also of expert staff, agricultural, veterinary and engineering, has proved highly successful. In this country the application of similar methods during the war by the Machinery Departments of the War Agricultural Executive Committees—a departure of the greatest interest—has also proved a great success (see Appendix VI, p. 111).

British as well as Soviet experience thus combine to demonstrate that, even within vastly differing social systems, the use of special agricultural machine centres serving the whole rural community of a district can be of great advantage to agriculture, and that in the interest of future rural reconstruction the development of such centres ought to be widely encouraged.

#### (g) *Productivity of Labour*

Since the introduction of collective farming and machine tractor stations, the productivity of labour in Soviet agriculture has greatly increased—mainly, of course, as a direct consequence of mechanisation. In 1933, horses supplied 70 per cent. of the traction in agriculture and mechanised traction 30 per cent., but by 1937 mechanised traction was already responsible for 66 per cent. and animal traction for only 34 per cent.

In 1933 only 22 per cent. of all the fields tilled for spring crops

<sup>1</sup> M.T.S. have used their machinery for:

		1934 (Millions of acres)	1939
Ploughing	• . . . .	30.1	56.0
Sowing: spring crop	• . . . .	15.8	48.8
Sowing: winter crop	• . . . .	10.6	40.5
Harvesting total (grain)	• . . . .	28.1	109.1
Proportion of above harvested and threshed by combines	• . . . .	1.6 per cent.	41.0 per cent.

were tractor-ploughed, whereas in 1937 the proportion had risen to 74 per cent. Such changes have had their due effect upon the productivity of labour. During the 1923-5 period 2.42 labour days were required in an individual peasant household for the spring sowing of 1 hectar (2.5 acres), whereas in 1937 only 1.8 labour days were needed for the same work on collective farms using horse traction and less than a quarter of a labour day on farms employing motor tractors.

In individual peasant households about six days of labour had at the earlier date to be put in by one man to harvest 1 acre: in collective farms employing horse and manual labour less than four are now needed, and when harvesting is done by combines and the traction provided by wheeled tractors, only one-fifth of one labour day is required.<sup>1</sup>

Mechanisation of agriculture has aimed, not only at speeding up the rate and diminishing the cost of work, but also at improving the quality of the crops cultivated and forcing an increased yield from the soil. The Russian yield per acre has in times past always been low and one of the main aims of Soviet collective agriculture has been to increase it.

The Third Five Year Plan (1937-42) made its target an increase in the average crop to 11½ bushels per acre by 1942, and before the outbreak of war (1941) there was every prospect that this average would be reached. As far back as 1938, about one-fifth of the 187,000 collective farms which sent in reports had reached this average, and every year since the yield has gone on rising. Reports in Soviet newspapers during the war show that in the unoccupied parts of the Union the campaign for increased productivity has continued with unabated success.

The total production of grain (wheat, rye, oats, barley and maize) has, therefore, grown rapidly: from 80 million metric tons in 1933, it rose to 115 millions in 1937 and over 121 million in 1941. The plan originally aimed at a production of 133 million tons in 1942, as against 72 million tons in 1913. Along with this increasing yield goes a steady improvement in quality, and not less than 75 per cent. of all grain sown in 1939 came from selected seeds. It is from these that all the industrial crops, including cotton, sugar-beet, and others, are raised.

Another feature of the intensified Soviet agriculture is the greater acreage producing industrial crops, feeding-stuffs,

<sup>1</sup> See *Anglo-Soviet Journal*, No. 3, July, 1940, pp. 257-8. See also Karpinsky, *What are Collective Farms?*: "On individual peasant farms, one working day expended by one worker on the production of grain gave an average of 31.1 kilograms; the same unit produces 98 kilograms of grain on the collective farm—an increase of 315 per cent" (p. 30).

gardening produce and vegetables. The increase in crops for industry is of special importance, the acreage of Egyptian cotton rising from 11,830 in 1930 to 339,748 in 1938. In the case of fruit, the 3,211,000 acres of orchards in 1939 were over twice the number in 1914. So, too, with fertilisers: over 3 million tons were used in 1940, as against 230,000 tons in 1913.

With this record of achievement behind it and with the great natural resources of the immense country at its disposal, the new Soviet agriculture shows every promise of a practically unlimited expansion in the future.

#### (h) *Livestock*

But the real bottleneck in Soviet agriculture is livestock, for the Soviet Union lags far behind the Western countries in numbers of livestock (including pigs). This is due, on one hand, to the terrible conditions that had prevailed throughout the centuries and which have left the U.S.S.R. with peasant holdings too small and poor for efficient breeding. On the other hand, it is due to the high losses incurred during the first years of collectivisation. By 1933 Soviet livestock figures stood at 44 per cent. of 1929, and five years later (in 1938) they were still only 59 per cent. of the 1929 figures.<sup>1</sup> As can be seen from these figures, the number of horses, sheeps and goats was nearly halved between 1916 and 1938, the number of cattle decreased by one-sixth and the number of pigs increased by 25 per cent.

With a view to improving the livestock position, it was suggested that each collective farm should have separate sub-farms—for large-horned cattle, for sheep and for pigs respectively. In 1939 there were in operation over 406,000 sub-farms—147,000 for large-horned cattle, 91,000 for sheep and goats, 87,000 for pigs, 50,000 mixed and 31,000 for horses. In many collective farms the livestock sub-farms have produced encouraging results.<sup>2</sup>

<sup>1</sup> The following table shows the position for the main groups of livestock:  
(In millions of heads)

	1916	1929	1933 (spring)	1938 (beginning)
Horses	35.1	34.0	16.6	17.0
Large horned cattle*	58.9	68.1	38.6	50.9
Sheep and goats	115.2	147.2	50.6	66.6
Pigs	20.3	20.9	12.2	25.7
	229.5	270.2	118.0	160.2
		(100 per cent)	(44 per cent)	(59 per cent)
		30.4	19.7	22.7

\* Of which cows

<sup>2</sup> The distribution of livestock among different groups of holders is given in Appendix VII (p. 111).

The following increase in the collective farm herds shows how steadily the position has improved in recent years:

Years	Number of heads (in thousands)			
	Large horned cattle	Sheep and goats	Pigs	Horses
1934	8,300	10,200	2,800	9,600
1935	10,329	11,983	3,512	—
1936	14,800	22,800	6,300	12,500
1937	15,627	27,191	6,620	—

It is, however, not only in numbers, but in fertility also that livestock is improving. In the case of cows, their yield in milk has improved,<sup>1</sup> as the following table shows:

	1932	1937	1938
Average milk yield by a cow (in gallons)	207	228	275
Number of calves born per 100 cows	74	82	93
Number of pigs born per 100 sows	623	973	1,310
Number of lambs born per 100 ewes	70	120	121

The distribution of pigs between collective herds and those attached to the individual homesteads of collective farmers and to other breeders is of special interest; for the individual members have achieved in their homestead results twice better than those of the collective herds.<sup>2</sup> The number of pigs kept by town-dwellers, either individually or organised, has increased nine and a half times, as the result of State endeavours to decentralise food supplies (see p. 96). If we calculate the number of pigs owned by every 1,000 inhabitants, we find that in 1938 the Soviet Union with about 140, was not only much behind Denmark or New Zealand with 600 to 800, but also the U.S.A. and Germany, with about 350.

During 1940, the last pre-war year, the livestock of the collective farms increased as follows: large-horned cattle by 12 per cent.,

<sup>1</sup> The average milk yield in the United Kingdom for 1930-1 was 463 gallons per cow per year. It is estimated that in recent years the yield has gone up to about 480 gallons.

2 Group of breeders:	(In millions of pigs)	
	1932 (November)	1939 (Beginning)
State farms	1.8	2.8
Collective Farms:		
Communal herds	3.2	6.3
Individual member's herds	3.0	12.8
Individual Farmers	2.7	0.6
Town-dwellers (individuals and organisations)	0.2	1.9

The increase over the six years' period is thus shown to be more than fourfold in the case of herds of individual members' of collective farms and twofold in the case of collective herds.

pigs by 15 per cent., sheep by 25 per cent., and goats by 34 per cent. The Ukrainian Republic occupied the first place, having fulfilled its annual plan. Notable successes in cattle-breeding were also achieved by the Turkmenian and Kirghiz Republics, the Chuvasht Autonomous Republic, the Kovrov District and Chabarovsky Region. In 1942 the collective farms which were short of livestock were instructed to supplement their herds by buying 2,300,000 young cattle and 2,300,000 sheep from other collective farms, or from factories, other institutions or individuals who were breeding livestock.

Livestock economy is also significant because of the direct connection between the amount of natural fertilisers used and the yield of agriculture. Even in farms using predominantly chemical fertilisers, a certain proportion of animal fertiliser must be mixed with them to get good results. The Soviet Press shows very strikingly this direct relationship between the livestock supply of collective farms and their yield of grain, potatoes and flax.

An innovation was introduced before the outbreak of the war which has greatly increased the collective farmers' interest in improving their own stock. The amount of produce to be delivered to the State from tillage and stock-breeding is now calculated on the basis of the number of acres of land in each collective farm and not per head of livestock.

#### *(i) Disposal of Agricultural Produce*

If we are to understand the nature of, and assess the sources of, income earned in collective agriculture, we must examine the methods by which agricultural produce is disposed of.

Farm produce is disposed of by the following main ways: (1) consumption by farmers, (2) taxation in kind, (3) payment for services and (4) sales.

Part of the harvest is used by the collective farm itself as feeding-stuffs, seeds, etc., and the surplus is distributed as dividends in kind among the membership. The members consume part of their dividends and supplement them by produce from their own homesteads. Before the war, there was a tendency for individual homesteads to cultivate mainly vegetables and fruit, but more recently high bonuses on the sale of surplus yields have encouraged farmers to grow on their homestead land more grain and a variety of industrial crops.

What remains after these deductions for farm and home consumption is used to pay taxes in kind or is sold as *marketable*

*produce.* The methods of disposing of marketable surpluses vary with different commodities, of which the most important is grain.

The bulk of the grain harvested by the collective farms is collected by the State Grain Collecting Department (*Zagotserno*) which also serves as a clearing house for grain produced by State farms. No organisation or institution except the *Zagotserno* is allowed to buy grain from the producers, but collective farm members may sell in open markets the surplus of the grain received as dividends or the excess grain from their own allotments. The grain collections of the *Zagotserno* are known as "centralised collections," as they are organised on a national scale.

Apart from grain collected in taxation, the *Zagotserno* receives grain in two main ways: (1) as a return for services rendered to collective farms by the machine tractor stations and by the milling industry (which is controlled by the *Zagotserno* itself); (2) by purchase from collective farms under special contracts. In 1937 the first source accounted for three times as much as the second.

"Centralised collection" was introduced when taxation in kind was practised on a large scale, but has gradually become less important with the progress of the Five Year Plan. The proportion of the total grain that went to the *Zagotserno* as tax in kind has tended to decline, amounting in 1937 to about 31 per cent. of all collections. On the other hand, the collection of grain on behalf of machine tractor stations is on the increase: as early as 1937, it represented already 30 per cent. of the total grain income of the *Zagotserno*.

During the First Five Year Plan the fixing of the delivery quotas and their general application were quite arbitrary. Quotas used to be high, compared with the productive capacity of the farms, and this resulted in great inequalities of tax incidence as between regions. To remedy those discrepancies, various decrees were issued; the last introduced in 1941 definite standards for calculating deliveries (quotas) based on the acreage under grain.

The third method of collection, the "Mill Tax," is derived from the income of mills owned by the *Zagotserno*, which retain a certain percentage of grain delivered for milling as payment for their services: in 1937 8 per cent. of the grain income of the *Zagotserno* was derived from this source.

Finally, repayment of loans in kind produced another 6 per cent. of the income.

Almost all the remaining marketable grain (25 per cent.) was

delivered to the *Zagotserno* under special contracts with the collective farms. The contracts are actually made by the rural consumers' co-operative societies (*Selpo*) acting as agents for the *Zagotserno*. The prices paid are approximately 20 per cent. higher than those which are used as a basis for the calculation of the tax in kind. They are, however, still much below the retail price, though special premiums are offered for large-scale deliveries.

Rural consumers' co-operative societies acting for the *Zagotserno* often undertake to provide farmers with non-agricultural products which are in short supply, in exchange for the delivery of certain quantities of grain.

Apart from the compulsory delivery of grain, farmers are requested to deliver to the *Zagotserno* considerable quantities of other commodities calculated in accordance with the productive capacity of each collective farm. It is estimated that in 1934-5 the larger part of the marketable meat, almost all the butter, most of the milk and potatoes were delivered under such arrangements. Deliveries of eggs and fruit through the *Zagotserno*, on the other hand, were a mere fraction of the marketable supply of these commodities which were then available.

Industrial crops and vegetables have to be delivered to the *Zagotserno* under the system of "contracts," which does not differ materially from the system of grain deliveries and which covers practically the entire output of cotton, tobacco, flax, etc. The prices offered for these commodities, however, pay the collective farms better, and large bonuses and premiums are granted for intensive cultivation.

Members of collective farms and even individual cultivators are encouraged to increase their production of technical crops, especially rubber plants (*kok-sagliz*), by means of monetary rewards and the supply of goods in which they are deficient (e.g. rubber boots, which are important, owing to rains in Central Asia, are exchanged for rubber itself).

Although it has the exclusive right to collect grain, the *Zagotserno* shares its rights to collect other commodities with a number of authorised purchasing agencies, which may make their purchases by "decentralised collection" or in the open market.

The system of "decentralised collection," which was created in 1932 and has been modified several times since, consists of wholesale purchases of agricultural produce, other than grain, at prices fixed by authorised State institutions or other licensed organisations. The actual purchases are made by rural consumers' co-operative societies (*Selpo*) acting as agents for the

licensed organisations. After food rationing was abolished in 1935, the number of such organisations was about 2,800, most of them being local institutions, e.g. restaurants, hospitals, and local wholesale depots. Also among them were large administrative units, such as departments of the Commissariat for Food Industries. The prices fixed for decentralised collections are generally less than half the prices prevailing in the open market.

The open market, of which the collective farm markets in the towns are the main variety, were suppressed during the First Five Years' Plan, but legalised once more in 1932. Besides the regular town market there are annual fairs, and a certain amount of private trading takes place between the farmers and such village people as are not engaged in farming.

The prices in the open market are regulated by supply and demand, but the scope of this trade is restricted, and general price levels are not affected much. Only individual consumers are allowed to buy in these markets, and at the same time only collective farms or members of collective farms are allowed to sell their own produce there. In general, collective farmers are able to send their produce only to nearby towns, but big collective farms sometimes send members to act as their agents in other provinces. The bulk of the produce sold in such markets is offered by individual members of collective farms and consists of the surplus from their own allotments rather than that of the collective farm itself.<sup>1</sup>

#### *(j) Remuneration*

The remuneration of collective farmers is calculated in "work-day" units, a system that grew out of long and painful experience. In the early years of collective farming little attention was paid to objective standards of efficiency and quality of work. The standard was often that set by the weakest and least efficient members. Furthermore, only a comparatively small part of the total harvest was distributed to the members of the collective farms. As late indeed as 1938, members received in kind only 27 per cent. of the harvest. The rest went in deliveries to the State (15 per cent.), payments to the machine tractor stations (16 per cent.), deliveries to the Sowing Fund (18 per cent.) reserves for the Forage Fund (13 per cent.) and assistance to invalids and kindergarten (11 per cent.). During the last pre-war years a great improvement has taken place, and according to Mr. Molotov's Report to the Eighteenth Congress of the Party

<sup>1</sup> See also Webbs, *Soviet Communism*, Vol. II, p. 1197, Second Edition.

(March 14th, 1939), "The average amount of money paid out to a collective farm household has increased during the years 1935-9 three and a half times."<sup>1</sup>

This system of remuneration, which has been established since 1934 all over the Soviet Union, has not helped to develop sufficiently personal initiative or encourage individual effort. Work on the collective farms has long remained "depersonalised," for members were able to see the result of their labour only once a year, when their dividends were paid in kind—in certain quantities of grain, potatoes or other commodities—and in money. Naturally, it was difficult for them to judge how far their own individual efforts throughout the year contributed to the material achievements of the farm.

The Model Statutes for Agricultural *Artels*, approved by the Soviet Government in 1935, have increased the interest of the members of collective farms in their work: superior skill and special efficiency is being remunerated by grading up some jobs at a higher equivalent in work-day units. It produced good results, but as time went on, the stimulus of once adequate methods declined and had to be enforced by new and better ones. The Ukrainian Republic's legislation of 1940, later applied to the whole Union, made the remuneration of a member of a collective farm dependent on his or her personal contribution, as a worker, to the achievements of the farm. The new decree has laid down an additional scale of pay based on results. Any member of a collective farm who produces more than the normal output fixed for his work receives, in addition to his earnings from work-days, a proportion of the increased yield, which is paid either in money or in kind.

<sup>1</sup> According to Professor Karpinsky, the average expenditure of collective farms for the whole Soviet Union which is paid under obligation to the State represents 9.4 per cent of their total cash income (of which 0.4 per cent is repayment of cash loans). The average cost of running the farm for the whole Union is 27.7 per cent (including 1.5 per cent for overheads and maintenance). The average net cash income is 62.9 per cent, therefore.

Of gross income in grain, the average paid by the collective farms of the whole Union in fulfilment of their obligation to the State is 13.7 per cent (1.5 per cent of which is in repayment of seed supplied on loan). Of the gross income in grain, an average of 50.4 per cent is spent in running the farm (13.9 per cent of which goes to pay the machine tractor stations) and 4.8 per cent for the sale to co-operatives and on the collective farm markets. The average net income in kind is, therefore, 35.9 per cent of the gross income.

The average amount of grain paid out per work-day to each collective farm family has increased threefold between 1932 and 1937. The average cash payment in 1937 was three and a half times higher than in 1932. During these years, too, the collective farmers doubled the amount of produce they sold on the collective farm markets. (See Karpinsky, *What are Collective Farms?*, p. 36.)

In view of the difficulty of measuring the individual performance in group work on a farm, it has been decided to develop further the system of brigades (squads) and links, which were hitherto used mainly in the cultivation of sugar beet and cotton. Under that system a brigade, consisting of thirty to fifty or more members, is entrusted with responsibility for the complete cultivation of one bit of land growing grain or potatoes: often a link of only five to ten men is formed for the cultivation of special crops such as sugar beet, flax, cotton, soya beans or vegetables. It is rightly assumed that the brigades and links, being entitled to a share of whatever they produce over and above the norm, will tend to develop more initiative and skill in using the land under their special charge.

"The brigade," writes Professor Karpinsky, "has now become the basis of collective farm organisation. They are set up by the management board of the collective farm and the personnel does not change during a season. The principal brigades or squads are the field brigade, working with horse-drawn or manual equipment, the tractor brigade and the dairy brigade.

"Each field brigade is allotted a definite area of land for a whole season, and does all the work connected with that plot. It is responsible for all the equipment, draught animals and farm buildings assigned to it."

The following quotation gives additional detail of interest concerning the functioning and organisation of a brigade.

"A field brigade contains from thirty to fifty workers in the regions outside the black-earth zone, and from sixty to eighty workers in the chief grain-growing districts. Dairy-farm brigades are appointed for a minimum period of three years, each brigade taking over a certain number of cattle together with the necessary equipment, draught animals, vehicles and buildings.

"The brigade leader, who is appointed by the Board of the collective farm, organises the work and distributes equipment within his brigade according to the qualifications and the abilities of each member, allots jobs, checks up on work done, keeps an account of the work and enters the number of work-days earned in each farmer's labour record. It is compulsory for all members of the brigade to adhere to the instructions issued by the brigade leader."<sup>1</sup>

The management of the collective farm is authorised by law to reduce the share of any member who does not complete all the work allocated to him and to induce each member to devote

<sup>1</sup> *What are Collective Farms?*, by V. A. Karpinsky, p. 32.

more energy to the collective farm and less to the cultivation of his own homestead.

The remuneration of collective farm members is calculated in work-days, and here is the definition of a work-day unit given by Mr. Klimenko, one of the leaders of Soviet collective farming: "It is the equivalent of the average amount of work that can be performed by a collective farmer in one working day, as fixed by the standard quota set for each type of work. These quotas are fixed for each collective farm in accordance with the condition of the machinery, the draught animals, the soil, the difficulty of the work, the degree of skill required and so on. For the performance of the day's specified quota of work the collective farmer is credited with one work-day unit. If in the course of the day a member performs more than the specified quota, he is credited correspondingly with more than one work-day unit. Thus, his share in the collective farm income depends on the quantity and quality of work performed. The work-day units are calculated and recorded by the head of the brigade in which the collective farmer works and by the quality inspectors after the work has been inspected."

The allocation of income according to the work performed helps to improve discipline and increases productivity of labour.

It is interesting to note that special attention is being paid in the Soviet Union to additional remuneration for better work. The Director of the Department of Collective Farming in the Ministry of Agriculture, M. Chuvikov, writes: "a very important measure in the distribution of income of collective farms is the correct calculation of the *additional* payments to the members of the farms for the fulfilment of plans in regard to the quantity of crops and the productivity of livestock.

"Every collective farm must draw up a list of the brigades, links, and individual members who have over-fulfilled their plan, calculate the additional remuneration, and pay for their work in accordance with the law."<sup>1</sup>

Quite apart from the differentiation between types of work and the payment of added increments for every special effort, the income of members in different collective farms varies considerably because of differences in natural and economic conditions under which the farms have to operate.

Owing mainly to the variations in the soil, climate, irrigation and available market facilities, there are great inequalities in the output and in the marketing conditions of collective farms.

<sup>1</sup> "Divide the Income of Collective Farms in time, and justly," by M. Chuvikov (see *Socialist Agriculture*, 18, XI, 1944, No. 136).

There are the so-called "millionaire farms" in which the rate of production is very high and the conditions for disposal of products favourable. On the other hand, some collective farms working under difficulties show comparatively poor results.

It is evident that flexible adjustments will have to be made in taxation and the prices paid by the State for that part of the produce which it receives from the farms, in order to provide for a more equitable distribution of income in accordance with the individual effort made and with natural and economic conditions.

#### *(k) Homestead Farming*

By now it will have become clear to the reader that in addition to the land farmed collectively, each family is entitled to a plot of its own (between 1 and 5 acres) for cultivation of fruit and vegetables. The family may also keep a limited number of cattle, pigs, sheep, poultry and beehives for its own use. It has not been easy to strike a satisfactory balance between the work of a member on the collective farm and that done on his own homestead. In the early years, owing to the poor remuneration of work on collective farms, members often paid more attention to their "homestead" at the expense of collective work. Even as late as 1937-8 the interest of some members in collective farming was far from sufficient. In 1937 over one-fifth (21.2 per cent.) of all members did less than fifty days' work on the farms themselves. The percentage was even higher in some of the national republics: in Georgia it was 40 per cent., in Armenia 35 per cent., and in Tadzhikistan 37 per cent.

In some cases, the work done by members on their own homesteads so far exceeded the limits laid down in the rules of the collective farms that it ceased to be a subsidiary source of income, as had been originally intended, but indeed became the main source. In a number of collective farms family plots became larger than the size prescribed by law. This tendency was corrected in November, 1939, when 4,922,000 acres were handed back to the collective farms for communal use.

In May of the same year, special legislation was adopted with the expressive title: "Measures for protection of the communal land of the collective farms against squandering." This legislation increased to 150 the minimum number of work-days which members were obliged to work on the collective farm. This step enabled the farms to make better use of the available labour for their own production and to free a great mass of suitable labour for industry.

In the years 1938-41 the income of collective farms improved considerably and the participation of members in collective work increased accordingly. Figures published for 1939 show that the proportion of members who did not participate in collective work decreased during the year to about 4 per cent.

The new legislation also dealt with the shortage of land for homesteads in certain regions—a very difficult problem in those parts of the Soviet Union that were already overpopulated. New laws enabled members of such collective farms to settle in comparatively undeveloped regions where free land was plentiful, such as the Omsk, Chelyabinsk, Altai, Kasakstan and other regions of Siberia and on the Volga. As a result, there has been quite a considerable transfer of rural population to the east.

#### *(l) National Republics*

Collective farming has helped the peasant population of the most backward national republics to develop an entirely new kind of rural life, and has created new economic foundations on which their culture may develop. Thus, by 1939 the collective farms and machine tractor stations had over 4,000 tractors in the Kirghiz Republic, over 7,000 tractors and 3,000 harvesting machines in the Tartar Republic and over 5,500 tractors in Azerbaijan.

As it was the main factor in the agricultural development of the national republics and autonomous regions, increased production of specialised crops was deliberately encouraged by heavy capital investment on the part of the State. In 1938, *total investment per collective farm in the national republics was three times as great as the average for the whole Union*, and the benefits to their agriculture were accordingly immense. To take an example, Georgia has become the Union's biggest provider of sub-tropical plants; tea, tobacco and orange groves cover its countryside. In 1938, 25,250 acres were growing citrus fruit, as against only 400 acres in 1913.

The Buriat Mongolian Republic was probably the best example of the success of collective farming in the national republics. It used to be one of the most backward parts of Eastern Siberia. Cattle-breeding was almost the sole occupation of its nomadic inhabitants, and new scientific cattle-breeding has been organised under a collective system. Nomadic and semi-nomadic tribes have been induced to settle and the introduction of machinery for such purposes as haymaking has made it possible to stock fodder against any contingency. By the end of 1938 the

Republic had in operation 1,248 tractors and 275 combine harvesters, as well as many other types of agricultural machinery.

The phenomenal growth of industry and the rapid increase of the urban population in the national republics have created an important local market for the produce of collective agriculture.

(m) *Personnel*

Collective farms have been fulfilling very successfully another of their essential tasks, that of training managerial forces from among the rural population and thus raising the scientific and technical standards of Soviet agriculture. Every effort is being made to spread a wide knowledge of all types of farming. Some results of this drive for a scientific agriculture were to be seen in the great Soviet Agricultural Exhibition of 1939, when, of all the hundreds of thousands of people who sent in exhibits, 76 per cent. were agricultural specialists, agricultural scientific workers, Stakhanovites on collective farms, etc.

Another important feature of collective farm work is the great part played by women. In 1937 they accounted for 37 per cent. of the total work-days put into the farms. At first they were mostly employed on lighter work, but since the outbreak of war they have been very active on the mechanical side (see p. 85), and they have borne the main brunt of maintaining production in the countryside.

As early as 1938 nearly a quarter of million of collective farms employed one and half million managers, specialists, agricultural and voluntary workers in managerial positions. They were classified as follows:

Chairmen of control commissions	232,421
Chairmen and deputy chairmen	284,389
Book-keepers and assistants	248,390
Agricultural economists and technicians	16,113
Field foremen	528,602
Farm managers	101,483

The personnel on the mechanical side of collective farming grew rapidly in the period 1934 to 1938: tractor drivers increased fourfold in number, combine engineers elevenfold, and lorry and motor drivers ninefold.

Between 1938 and 1941 the cadres of rural specialists developed rapidly and were nearly doubled. Before war broke out 1,000 scientific research institutes were developing improved methods of farming and cattle-breeding. Soviet villages boasted of one

million tractor-drivers, over 250,000 harvester-combine operators and over 1,300,000 trained managers of collective farms and sub-farms, State farms and machine tractor stations.

During the war every effort has been made against odds to maintain and increase agricultural training. During the winter of 1944, 3 million peasants were studying agricultural science on short courses, 1 million more than the preceding year. Mostly the winter months are used for such study. Collective farm chairmen attend courses in the cities, while in every region special courses are provided for the brigades of field and livestock workers. These studies give special attention to the latest methods for obtaining high crop yields, to livestock breeding, and to the use and repair of agricultural machinery.

### CHAPTER III

## CONSUMERS' CO-OPERATION

### (a) *Early Developments*

CONSUMERS' CO-OPERATION IN RUSSIA is only twenty years younger than in Britain. It began in July, 1863, when the first retail society was set up in Kirov in the Urals. With its 25,000 local retail societies and a strong wholesale society (*Centrosoyus*), the movement was already well established during the October Revolution.

As early as April, 1918, the Soviet Government decreed the abolition of all private trade, shops were closed down, goods confiscated and handed over to municipal authorities or to co-operatives. In doing so, the Government expected the co-operative movement to give considerable help in carrying on distribution. No one can deny that this was a stupendous task, since it meant replacing about 1 million trading units of various pre-Revolution types by new co-operative machinery. In the ensuing years, Lenin repeatedly emphasised that the only one centralised trading system, which was closely connected with the masses and able to take the place of private trade, was that of the urban consumers' co-operatives. He stressed the urgent need of extending and reinforcing it, writing, for instance, in 1918: "One of the most important tasks of the working class at this moment is to organise the distribution of goods properly, and as we have a working machine in existence built on the self-activity of the masses, we must use it for the fulfilment of this task. It is important to use the activity of the masses which have created this organisation." Lenin had a clear vision of the potential functions of consumers' societies in the post-Revolution period, even though in practice they have assumed a different role in Soviet life.

The nationalisation of private trade was completed by the decree of November 21st, 1918; thereafter, the distribution of consumers' goods was conducted through State Distribution Centres and the reorganised co-operative societies. This decree and two others (of November, 1918, and of March, 1919) authorised the incorporation of all consumers' societies, labour and non-labour alike, into "united consumers' societies." The

national form of consumers' co-operation, which was organised on the basis of one society in each town, remained in force until 1921. During these two years, the former consumers' co-operative societies became "consumers' communes," run as State controlled distributing organisations and, like other State departments, financed by the Government. Close personal relations were established between the new distributive system and the Commissariat of Food Supply.

The Communist Party took into its own hands complete responsibility for the conduct of Soviet life. During the period of civil war and the war of intervention, some of the co-operative organisations in the Ukraine and in Siberia, where the main fighting took place, collaborated actively with the forces opposing the new régime, and thus deepened further the gulf between the Soviet Government and the movement as a whole. Active opposition led to such stringent control of co-operative societies by the Communist Party that the opportunity for self-expression of members' initiative was greatly reduced. In this new atmosphere it was only with great difficulty that a distributive machine of any kind could function: the co-operative spirit that should have stimulated local initiative and served as a check upon bureaucracy quickly evaporated under direct Party control, though the more efficient party organisations tried hard to maintain it.

Another major factor in the ineffectiveness of the distributive organisation was the scarcity of consumers' goods. To meet this dearth, the Government had to introduce differential rationing, which made it very hard for urban consumers' societies to work efficiently; such rationing was abolished under the N.E.P., but had to be reintroduced in 1928-9.

The New Economic Policy of 1921 re-established private trade and markets, and greatly influenced the position and functions of the co-operative movement. In the *Petrograd Pravda* of October 20th, 1921, Lenin wrote: "We are correcting now by our New Economic Policy a number of our mistakes. We are learning how to continue without those mistakes the building of the Socialist structure in a country of small peasants." The changed attitude of the Communist Party to co-operative organisation is explained in the following resolution of its Ninth Congress: "The Congress therefore, instructs the Central Committee to formulate the conditions for improving and developing the structure and activity of the co-operatives, in accordance with the programme of the Russian Communist Party, and to take as a basis for it the substitution of tax in kind"; thus a monetary economy was re-

introduced by this resolution and co-operative organisations had to restart operating under a system of private production and distribution of goods.

The policy was implemented by various decrees, reinstating different types of co-operative organisation, amongst them consumers' co-operation. A decree issued on April 7th, 1921, authorised consumers' societies to exchange consumers' goods for agricultural produce.<sup>1</sup> A general agreement signed on May 15th, 1921, between the Soviet Co-operative Wholesale Society (*Centrosoyus*) and the People's Commissariat of Supplies provided for the delivery to the consumers' co-operative movement of all available stocks of goods; the consumers' societies had to organise extensive barter operations, to purchase food from the farmers and to deliver this food to urban consumers. The shortage of supplies and stocks had already shown clearly that the co-operative movement could not develop these activities to any great extent, the Government therefore decreed in October, 1921, that all industrial contracts for production of consumers' goods should be submitted to the *Centrosoyus* and its branches, thus giving priority to the consumers' organisations as the representatives of the State. By a further decree in December, 1921, all industrial enterprises which had belonged to the co-operative movement before the October Revolution were restored. The next step was the establishment in February, 1922, of the Co-operative Bank (*Vsekobank*) to finance the operations of the movement. *Centrosoyus*, being allowed to resume foreign trade operations, started negotiations with the representatives of the Russian co-operative movement abroad for taking over the existing offices of *Centrosoyus*, Ltd., and of the Moscow Narodny Bank, Ltd., in London and in other countries. These negotiations were concluded successfully and the co-operative institutions abroad were soon handed over to the Soviet co-operative organisations (see pp. 81 *seq.*)

As compulsory registration of consumers was abolished and free trade reintroduced during the period of the New Economic Policy, the Soviet consumers' movement could control only a certain part of the retail trade. It launched a wide campaign for reinforcing the shareholding principle in the local consumers' co-operative societies, and every member was invited to take up at least one share: poor members had to be helped to pay up their shares by the societies themselves, and 25 per cent. of the profits had to be put aside for the purpose. Each local consumers' society had to become a shareholder of a provincial union

<sup>1</sup> See Blanc, *The Co-operative Movement in Russia*, p. 222.

(*Gobosoyus*) and each provincial union had to become a shareholder in the national organisation—*Centrosoyus*. The movement made rapid headway, and by the end of 1921 there were already 17,000 consumers' societies—16,000 of them in rural districts.

Consumers' co-operation rapidly developed its purchasing and industrial operations. In November, 1921, the President of the *Centrosoyus* reported that great quantities of commodities—grain, meat, butter, hides and flax—had been bought through the local rural consumers' societies and about 3 million gold roubles' worth of foodstuffs abroad. Factories which reverted to the co-operative movement soon resumed their production and great quantities of foodstuffs—such as tea, coffee, chicory, mustard, vinegar, soup, jam and canned goods—were put on the market.

Simultaneously, a considerable revival of industrial co-operative organisation, especially in the field of forestry and timber goods, took place, and in 1922 the Central Federation of Handicraft Co-operative Societies was formed. During the N.E.P. period and until 1928, when the remnants of N.E.P. were liquidated and a planned economy was introduced, there coexisted within the Soviet Union both co-operative and small private retail trading.<sup>1</sup> In 1930, private trading was finally abolished and only rural markets were left in operation.

#### (b) Supply of Industrial Goods

The disposal of industrial and especially consumers' goods in the Soviet Union has been conditioned by the scarcity of such goods and by the vastness of the territories over which they have to be distributed. The proportion of consumers' goods produced in the Soviet Union has been much lower than in other industrialised countries.<sup>2</sup>

The disposal of industrial goods differs as between "non-market" and "market funds." "Non-market funds" consist of goods required for State needs, such as clothing for the Army, and for further processing or manufacture for export. These goods are dealt with by appropriate State departments, and some of them, after processing, are transferred to "market funds."

Before the war most of the output of industrial consumers' goods were set aside for "market funds," and the proportion allocated to it rose steadily. Thus, in 1937, it was provided that 74 per cent.

<sup>1</sup> For detailed description of this period, see S. and B. Webb, *Soviet Communism*, Vol. I, pp. 219-58. Also N. Barou, *The Moscow Narodny Bank* (London, 1928), *Russian Co-operation Abroad* (London, 1930) and *Russian Co-operative Banking* (London, 1931).

<sup>2</sup> See Appendix VIII, p. 112.

of all industrial consumers' goods should be allocated to "market funds," but the proportion varied considerably for different classes of goods: for example, 36 per cent. were allotted for linen cloth, and over 90 per cent. for cigarettes. Since the beginning of the war, the proportion allocated to "market funds" has been drastically cut down. Goods belonging to "market funds" are distributed between urban State trading organisations and rural co-operative societies.

During the First Five Year Plan, and even later, the distribution of many goods and commodities was planned centrally: they were allocated, on the one hand, to central trading organisations (State or co-operative) and, on the other hand, to various regional bodies.

In the spring of 1937, however, it was decreed that central planning should continue in the distribution of cotton textiles, ready-made clothing, footwear and knitted goods produced in All-Union enterprises<sup>1</sup> only: the distribution of other consumers' goods was to be planned thereafter only regionally or locally.

A large group of commodities, including silk and linen textiles, household necessities and "cultural" goods, in addition to most of the standard foodstuffs, are classified as "regulated" goods, i.e. the State only plans for their distribution in the right proportion between the two main trading systems (State and co-operative). The distribution of other goods is unplanned and left to regional and local organisations.

Distribution plans are largely supplemented or replaced in actual practice by contracts between supply organisations and the distributing agencies. General contracts, fixing the quantities of deliveries of goods and their prices, are concluded between the main industrial and trading bodies, as, for instance, between an All-Union industrial trust or a Commissariat for Light Industries of a constituent Soviet republic, on the one hand, and the central (All-Union or republican) organisations of State or co-operative trading, on the other. These general contracts, of course, leave a great many conditions, and especially the specification of goods, to be filled in by "direct" or "local" contract between the industrial and trading units which are actually producing and handling the goods.

Regional and local trading organisations may also issue to industrial producing units "preliminary orders" for certain goods, asking an industrial enterprise to manufacture certain goods for them. These preliminary orders are usually limited to goods with

<sup>1</sup> An All-Union enterprise is a factory controlled by a specialised Union commissariat; the factory must be of special importance for the Soviet Union.

a wide range of pattern, design, colour, etc., such as cotton, linen and silk fabric, ready-made clothing, household requisites and ironmongery, earthen ware and glass, saddlery and furniture. In regard to some goods, these preliminary orders represent a majority (60-100 per cent.) of all contracted supplies.

Manufactured goods are sent to regional (issue) warehouses established under the control of a disposal board of an industry producing the goods, where they then are examined, sorted, packed and dispatched. They are then sent to a regional or local wholesale depot and warehouse (*Prombaz*) belonging to the chief administrative organisation of a particular industry which uses such depots for selling the products of its factories. It is the *Prombaz* which for the most part concludes the direct contracts or accepts the preliminary orders. Factories may also send their products, when it is so provided in existing contracts, direct to their customers, e.g. to regional or local State trading organisations or co-operative societies.

### (c) *The Changes in Soviet Trade*

During the first two Five Year Plans periods the system of distribution underwent a complete change as a result of three main reasons: (1) scarcity of consumers' goods and rationing, (2) the trend towards specialised commodity shops and (3) increased prosperity and consequent changes in the demand for goods in rural districts.

#### (1) *Scarcity and Rationing*

Between the rationing system of the years of War Communism (1917-21) and that introduced under the system of planned economy of 1928 there was a vast difference.<sup>1</sup> The policy of rapid industrialisation resulted in the growth of urban industrial population, a rapid increase in their earnings and in the demand for food and other commodities. Since the small primitive peasant economy could cope neither with those demands, nor with the growing need of raw materials for industrial purposes, a solution was found in rapid collectivisation and mechanisation. The introduction of collectivisation aroused the strongest opposition among the well-to-do peasants. The struggle between the well-to-do peasant families (*kulaks*) and the great mass of poor and middle-class peasants had been growing rapidly during the years

<sup>1</sup> See a very interesting analysis of the subject by E. M. Chossudovsky, "Rationing in the U.S.S.R.", published in the *Review of Economic Studies*, London, Vol. IX, No. 1, p. 143.

1923-8. It was a silent but ruthless struggle against exploitation and poverty in which the industrial workers and the Communist Party had to take sides. Collectivisation and the development of mechanised agriculture were their reply. Collectivisation resulted in breaking up the stronger farming families (*kulaks*), who supplied a considerable proportion of marketable grain and other commodities; it also led to the destruction of the greater part of the livestock of the Soviet Union. In these circumstances, the supply of food and other consumers' goods was greatly dis-organised, and even the co-operative organisations were forced to sell goods only to their members. The rationing which was restored was probably the only way to keep up the minimum supply required for the town population and the industrial workers.<sup>1</sup>

The shortage of consumers' goods and to a lesser extent of food obliged the Government to give preferential treatment during those most difficult years to wage- and salary-earners in the occupations most essential to the country's industrial development. Such groups received rations of food and consumers' goods through "closed co-operatives" or distributive centres (stores serving only those employed in specified industrial or economic units). The fixed rations were the foundation of the personal budget and of the whole system of real wages in the Soviet Union. During that period all monetary reward was of a secondary importance, often because rationed goods either could not be bought at all or only in the "free market" at prices so exorbitant as to be beyond the purse of industrial or clerical workers. It was more or less inevitable that organisations of the "closed" type should lose their co-operative character, and became too often merely factory stores serving the workers, but controlled mainly by the factory management.

A resolution to introduce rationing was passed by the City Soviet of Leningrad in November, 1928, and by the Moscow Soviet in February, 1929. The resolution provided for the supply of bread to the working population on production of ration cards, and at higher prices to non-workers. In the case of other deficit

<sup>1</sup> Mr. Chossudovsky is quite right when he emphasises that "in contrast to normed supply under 'war Communism' the second Soviet essay in rationing had as one of its principal objects the *additional stimulation of an expanding industrial production* [Italics—E. M. Ch.] by means of granting social and geographical privileges under conditions of a *temporary shortage* of foodstuffs and of certain manufactured consumers' goods. Moreover, while under 'war Communism' rations were, as a rule, distributed free of charge, the new system required all rations to be paid for in money" (E. M. Chossudovsky, *ibid.*, p. 144).

goods, the practice of preferential treatment of members of co-operative organisations was to be continued, thus indicating that semi-rationing measures of this nature had been in operation before. Following this resolution, the Moscow Union of Consumers' Co-operatives issued ration cards for four categories of wholly "proletarian" consumers: (1) worker members of consumers' co-operative societies belonging to the Moscow District Union of Consumers' Co-operatives; (2) workers who were not members of a consumers' co-operative; (3) other members of the labouring masses who were members of consumers' co-operatives; (4) non-co-operative labour.<sup>1</sup> Rationing of goods soon spread to other big cities, like Kharkov or Kiev. It started with bread, but "after a while it was found necessary to extend the scheme to important foodstuffs like sugar, tea, groats, vegetable oil, butter, herrings, meat, potatoes, eggs, macaroni, preserves, pastry and sweets, and later still to non-foodstuffs."<sup>2</sup>

At the end of 1931 rationing was introduced in all towns. During this year the issue of ration cards was taken over from the co-operatives by the Government and municipalities.

The number of persons affected by rationing was growing rapidly: according to Mr. Molotov, it rose from 26 million, including dependents, in 1930, to some 50 millions in 1934 comprising nearly a third of the total population.<sup>3</sup>

Meanwhile, production of consumers' goods, though it rose steadily, improving every year, from 1929 to 1937, was still low, and many commodities did not reach the consumer, being diverted to the "non-market funds" reserved for the Army, industry and State needs in general. The following table gives some idea of the scale of production as late as the end of 1937 when Soviet consumers' goods industries had already made great progress as compared with 1930:

*Industrial Production per Head of the Population in 1937*

	U.S.S.R.	U.S.A.	Great Britain	Germany	Japan
Cotton goods (in sq. yds.)	19	67	70	—	65
Woollen goods (in sq. yds.)	0.7	3.2	8.6	—	—
Boots (pairs)	1	2.6	2.2	1.1	8
Paper (kilograms)	5	48	42	42	8
Sugar (kilograms)	14	12	8	29	17
Soap (kilograms)	3	12	11	7	—

<sup>1</sup> E. M. Chossudovsky, *Rationing in the U.S.S.R.*, p. 146, and Hubbard, *Soviet Trade and Distribution*, London, 1937, p. 30.

<sup>2</sup> See *ibid.*, p. 146.

<sup>3</sup> See *ibid.*, p. 147, referring to *Pravda*, November 11th, 1934.

It will thus be seen that even at the end of 1937 the Soviet Union produced per head of its population just under a third of the amount of cotton goods and one-eighth of the paper that was being made in the U.S.A., Great Britain, or Germany; about a quarter of the soap of the U.S.A. or Great Britain, and about two-fifths of the leather boots and shoes and of cotton goods produced in the U.S.A. or Great Britain. Only in the case of sugar was Soviet production higher than in these two countries. It must be noted, however, that practically all the above commodities were consumed inside the Union, and little was exported.

As general supplies improved, preferential rations became less important and the number and proportion of co-operative trading units operating for the workers of special industrial enterprises diminished, the number dropping from 33,400 in 1932 to 9,800 in 1935 and their turnover being halved. At the same time the turnover of "closed" co-operatives, formerly representing 50 per cent. of the total urban co-operative trade, fell to 20 per cent. The proportion of "commercial trading," which operated through "open shops" with high prices, tended to grow. In the general trade turnover of the twelve most important consumers' commodities (including textiles, cotton and wool, footwear, tobacco, cigarettes, soap of all kinds) it grew from 4 per cent. in 1930 to nearly 33 per cent. in 1934.

The years 1929-35 saw great changes in Soviet trade. The planned economy began to play an important part in the economic life of the country, and collective farming, introduced against great opposition, proved a success. It was this victory of collective farming that created conditions permitting the abolition of the bread-rationing system and the introduction of unrestricted trading in grain; the annual deliveries to the State increasing from 11 million tons (1928) to 26 million tons (1934).

In the course of that period the Government decided (in 1932) to allow all agricultural produce, except grain, to be sold in special collective farm markets at prices practically free of control. Later on, in 1935, the new Stalin Rules for Collective Farms confirmed the right of collective farms and their members to sell their surpluses at market prices, after all deliveries due to the State had been made. At the same time artisans were allowed to sell their goods at open market prices. The rationing system was abolished for flour and bread in January, 1935, for other food products in October, 1935, and the "closed" distribution centres were wound up at the same time.

## (2) *State Trading*

The desire of nationalised industries to establish their own system of distribution is easy to understand. The industrial combines considered it a waste of effort to hand over the distribution of their products to co-operative societies. Their goods were sold by the co-operative organisations mainly, it must be remembered, to selected groups under a rationing system. The industrial producers insisted that they could manage distribution better through their own specialised shops or the shops of the Commissariat for Internal Trade, also thereby retaining for their own use the charges made by the retailer. Under the Five Year Plans, industrial organisations were entitled to establish specialised stores; and by 1935 a far-reaching system of State trading had developed and become a principal feature of urban distribution.

From 1930 onwards there was a tendency in favour of specialised shops, and a system of State trading was gradually built on the basis of single-commodity shops, e.g. hardware, textiles, or food. The industrial trusts established in towns special stores to handle the retail trade in their commodities, thus reducing the stocks available for the whole network of co-operative multi-commodity shops. In rural districts and in small country towns, however, it was impossible to introduce specialised shops, and the co-operative societies remained of necessity the main channels of retail distribution.

The reorganisation of the co-operative system was envisaged as early as 1931. There was great concern over the position of co-operative trade, and a movement began for strengthening State trade; as a result, the share of the total trade turnover handled by the *Centrosoyus* fell in the course of one year (1931-2) from 73 per cent. to 63 per cent.<sup>1</sup>

In his Report on the results of the First Five Year Plan (delivered at the Joint Plenum of the Central Committee and Central Control Commission of the C.P.S.U. on January 7th, 1933) Mr. Stalin observed that it would be "wrong to think that Soviet Trade can be developed only along one channel—for example, the co-operative societies. In order to develop State trade, all channels must be used: the co-operative societies, the State trading system and collective farm trading." Next year, in his report to the Seventeenth Congress of the Party (January, 1934) Mr. Stalin reported: "We had to liquidate the monopoly of the co-operatives in the market. In this connection, we instructed all the commissariats to commence trading in their own goods,

<sup>1</sup> See *Economics of Soviet Trade*, p. 112, cited in E. M. Chossudovsky's "De-Rationing in the U.S.S.R." (*Review of Economic Studies*, Vol. IX, No. 2, p. 15).

and the Commissariat for Supplies was instructed to develop an extensive trade in agricultural produce. This had the twofold result of improving co-operative trade while helping the market into a sounder condition.”<sup>1</sup>

Between 1932 and 1936, urban State trading by the units of the Commissariat for Internal Trade increased from 23.5 per cent. to 65 per cent., while retail State trading in rural districts decreased from 11.5 per cent. to 8.3 per cent. Thus total State trading grew from 23 per cent. in 1930 to 59 per cent. in 1934 and to nearly 74 per cent. in 1936. Similarly, the total network of retail shops rose in the four years between 1930 and 1934 from 163,700 to 292,700.

Changes no less remarkable took place in the turnover and the character of the trade of consumers' co-operatives. The number of urban co-operative trading units fell from 66,900 in 1932 to 36,700, the co-operative shops being reduced to the second rank in urban trade.

State and co-operative retail trade turnover from 1934 to 1936 took the following proportions:

	1934 per cent.	1935 per cent.	1936 per cent.
Total State trade	59	61	74
Total co-operative trade	41	39	26
	100	100	100

### (3) Rural Trade

Alongside the constantly improving quality of effort on the collective farms came greater rural prosperity, which in turn increased the demand for consumers' goods in the countryside. The bad old days, when only the barest necessities and the cheapest quality of goods were bought, gradually passed away. Collective farmers began to demand goods of first-class quality; good furniture, good boots, ready-made but well-cut clothes, good woollen garments. They even wanted bicycles, gramophones and musical instruments. With their increased earnings, collective farmers bought, for example, in 1934, 31,000 gramophones and 92,000 bicycles as against 3,000 bicycles in 1933.

To bring about this necessary improvement in rural trading, large supplies of consumers' goods were made available for rural distribution. In 1935 the turnover of trade was 45 per cent. greater than the 1933 figure. This increase put a new burden on

<sup>1</sup> Stalin and others, *From the First to the Second Five Year Plan*, Moscow, 1933 (in English, p. 46). See Chossudovsky, *ibid.*, p. 16.

the network of rural trading organisations and especially on the organisation of the *Centrosoyus*, which handled the larger part of rural trade. In its endeavour to cope with this situation, the Government decided to transfer the rural distribution of consumers' goods *en bloc* to the consumers' co-operative movement. To do so, the *Centrosoyus* had to concentrate all its resources on rural trade, and this in turn led to the liquidation of the urban consumers' co-operatives and the transfer of their resources and personnel to country districts, so as to strengthen rural consumers' societies and improve the quality of their work. For the rural co-operative store these new developments brought a great increase in strength. The collective farmers' need for better-class goods led them to demand a bigger say in the selection of stock. The quickly increasing annual turnover of consumers' goods called for a corresponding expansion and technical improvement in the distributive machine. Though the rural consumers' organisation was not very strong or efficient and was often run on bureaucratic lines, it offered a nucleus capable of local and regional improvement if initiative and responsibility could be revived among the local societies and their district unions. Such a revival was, of course, wholly in line with the general Soviet tendency towards decentralisation and regionalisation.

The first part of this new policy was introduced by a decree dated September 29th, 1935, which transferred urban co-operative societies in 654 chief towns to the Commissariat for Internal Trade,<sup>1</sup> and the *Centrosoyus* had to devote itself "solely to the

<sup>1</sup> *Pravda* (September 30th, 1935), explains the new decree about the reorganisation of the work of the consumers' co-operatives in the following manner: "As a result of the triumph of collectivisation in the village, the peasants are now making demands for industrial products, which, moreover, are being manufactured in increasing quantities. It is therefore imperative that the distributing system should keep pace with the new conditions. The consumers' co-operative stores in the villages, however, have developed serious deficiencies: there are too many small stores and shops, among which stocks must be divided, preventing any one from having complete assortments. Many shops do not carry such necessities as salt, soap, sugar, tobacco, etc.; and many do not even exist, except on paper. The finances of the co-operatives are disrupted by the frequent embezzlements and wastes that occur, and interfere with regular acquisition and distribution of goods. Other difficulties, in the selection of employees, the failure to elect good managers, and the lack of interest on the part of the stockholders of the village co-operatives, complicate this work.

"The organisation and structure of the *Centrosoyus* District Unions do not now correspond to the growing and more complicated tasks laid upon them in trade in the village. For the past two years factory workers in the cities have ceased to depend chiefly on the co-operative stores, and have looked to the Workers' Supply Departments to fill their needs. In that period, also, there has grown up in the cities a system of distribution under the Commissariat for

organisation of the distributive co-operative societies in rural districts."<sup>1</sup>

• (d) *The Rural Consumers' Co-operative System*

As we have already stated, the general organisation of Soviet consumers' co-operation is built around the Central Co-operative Wholesale Society—*Centrosoyus*—which is of sufficient importance

Internal Trade which, with the Workers' Supply Departments, now dominates the supply of goods to the city population. The consumers' co-operatives, therefore, have lost their former significance in this field, but have failed also to improve their work in the villages, where they should be the chief distributors of industrial goods.

"In order to bring about a radical improvement in trade in the villages, by concentrating the work of the *Centrosoyus* on management of and service to the village co-operatives, incidentally adding to the city distribution system by taking the co-operative stores into the system of the Commissariat for Internal Trade, the decree of September 29th, 1935, provides that the network of village co-operative shops, which now contain 4,000 department stores in the centres of the regions, shall be increased by 5,000 large village general stores in the large villages and bazaar centres; in these old and new stores trade in industrial and other necessary goods shall be concentrated; they shall be provided with regular supplies of the kind and selection most in demand in the village. Small existing shops that do not justify themselves shall be closed, and all those remaining shall be supplied with ample quantities of goods in daily demand, such as salt, sugar, kerosene, soap, tobacco, confectionery, matches, needles, and thread, etc.

"During the next three months a survey shall be made of the whole network of village co-operative stores, for the purpose of eliminating superfluous ones and increasing the size of those remaining. In districts of sparse or nomadic population, several stores shall be combined into one.

"The collection of agricultural products by the *Selpos*, to be delivered to higher co-operative or other collecting agencies, shall be encouraged by reducing the number of these other agencies where they are not justified, and by increasing the commission paid to the *Selpos* for this work, the returns of the higher agencies to be correspondingly reduced. The facilities for handling collections by the *Selpos* shall be increased by new construction of storehouses, sorting-sheds, etc., and by transfer of existing premises from the State collecting agencies which hand over their work to the *Selpos*." See also Webbs, *Soviet Communism*, Vol. II, pp. 1186-1188, Second Edition.

<sup>1</sup> E. M. Chossudovsky summarises his conclusions about the reform of the co-operative trade as follows: "On the whole it may be said that the policy of restricting the co-operatives to village trade was a wise and correct one. A pernicious monopoly was thus broken: the existence of State trade in the villages as well as the alternatives open to the collective peasants to make their purchases in the cities in connection with the Kolkhoz bazaars (in 1937 about 23 per cent. of rural purchases were made in City shops) were considered sufficient safeguards that a new rural monopoly had not been granted to *Centrosoyus*: while the introduction of unified prices ruling both in co-operative and State shops made a comparison of the qualitative indices possible. At the present stage of development of Russia's agricultural and of its co-operative set-up, co-operative trade is, and is likely to remain for some time, the most adequate form of rural goods circulation" (*ibid.*, p. 16).

to warrant a detailed description of its structure and operation. It originates from the Moscow Union of Consumers' Societies, which was established in 1898 to co-ordinate co-operative activities in Moscow. The Moscow Union soon established branches all over the country, and in 1917 was reorganised into the All-Russian Central Union of Consumers' Societies. The *Centrosoyus*<sup>1</sup> combines the functions of a co-operative union and of a co-operative wholesale society. It rests at the top of the Soviet pyramid of consumers' co-operatives. Nearer its base are the Republican co-operative unions which exist in all the republics of the Soviet Federation, with the exception of the R.S.F.S.R. The Ukrainian Republic is different in that it always had a co-operative wholesale society of its own (*the Wukospilka*) which, although it remains subject to the supervision of the *Centrosoyus*, acts as the Ukrainian Co-operative Union.

The Republican co-operative unions have between them 3,300 provincial and district unions. They are governed by a board of directors, elected for a term of two or three years by delegates of the affiliated district unions.

The district unions are formed by village co-operative societies and are probably the most effective bodies in the whole system. Their management boards are elected at two-yearly Congresses by the delegates of local rural consumers' societies. The President and his assistants are usually full-time officials, but the other members of the Board are paid only if they give their whole time to the work of the organisation. An Advisory Council, formed of representatives of various affiliated local consumers' societies, meets regularly to decide upon questions of policy and to control budgeting and expenditure.

Local distribution in the villages is generally organised by the village co-operative societies (or *Selskochosistvennoye Potrebitelskoye Obschestvo*, known as *Selpo*), which are the real foundation-stone of the whole system. The main tasks which they have to perform are formulated in their Rules (Paragraph 1) as follows: "the citizens living in the village or villages of the —— district of the

<sup>1</sup> The *Centrosoyus* is authorised (1) to direct the operations of the consumers' co-operative societies of the Soviet Union; (2) to act on behalf of the consumers' co-operative societies in connection with proposals which may become before the legislative and executive bodies of the Soviet Union, and which are likely to affect co-operative societies; (3) to conclude contracts on behalf of the consumers' societies with other Soviet organisations; (4) to represent and act on behalf of consumers' societies of the U.S.S.R. in relations with foreign co-operative movements; (5) to import consumers' goods; (6) to give expert advice and instructions to its constituent members (see *Report of the British Co-operative Delegation to the U.S.S.R.*, 1944, p. 9-10, to be referred to in the next pages as *Report*).

— should be united voluntarily in the Rural Consumers' Society (*Selpo*) with the object of organising by common effort and from common funds a Soviet trade without capitalists—small or big—a trade without speculators small or big" (Stalin).<sup>1</sup>

The result of this rule is that members<sup>2</sup> who buy goods, not to satisfy their own needs, but for re-sale to others or for speculation, are expelled from the society. Members whose behaviour is prejudicial to the interests of the society or who act contrary to the decision of the general meeting can be expelled by it if at least 75 per cent. of the members are present. The members expelled have the right of appeal to the regional union.

The bulk of the members of local societies are collective farmers, the rest either workers employed on State farms or machine tractor stations, rural professional men, or master craftsmen and members of the handicraft co-operatives. Membership is open to people of either sex on attaining the age of sixteen. There is a small entrance fee and each new member subscribes towards the share capital of the society. The size of the subscription depends on the new members' average income, the usual figure being under 50 roubles. The *Selpo* is governed by the decisions of the general meeting of members, which has to be called at least quarterly. Special general meetings can be called at the request of one-tenth of all members, or on the demand of the auditing committee or of the board of the district society.

As amalgamation of smaller rural societies has been encouraged with a view to the creation of larger units, there are now *Selpo* covering more than one village. Where the area of *Selpo* is too large to permit the calling of a general meeting, members elect their delegates on a geographical basis to attend a general delegates' meeting. Such a step must be approved by the district society, which also makes decisions as to the number of delegates and the means of representation. Delegates are elected for one

<sup>1</sup> See *Report*, p. 22.

<sup>2</sup> The rights of membership are: (a) to take part with full voting power in the general meeting of members, and to take part in the discussion of all questions concerning the activities of the society; (b) to elect and be elected to the board and auditing committee of the society, and also to take part in the elections or to be elected a delegate of the society to the district and other organisations; (c) to submit matters for discussion at the general meeting of members; (d) to call for an extraordinary general meeting of members; (e) to take advantage of all the cultural and social services organised by the society—children's crèches, etc.; (f) to receive dividend on purchases; (g) to enjoy the right of preference in the purchase of those goods for which right of preference exists for members as against non-members, as established by the general meeting of members (see *Report*, p. 23).

year only; not less than 100 members must be present at meetings held to elect delegates. Actually, members' and delegates' meetings are very well attended, and the recent British Co-operative Delegation to the U.S.S.R. gives special mention to this fact in their *Report*;<sup>1</sup> the rules, indeed, require the presence of two-thirds of members for the meeting to be valid; and three-quarters for election of the board, amendment of rules or expulsion of members. The rules contain a list of subjects on which decisions must be taken by the General Meeting of members or delegates.<sup>2</sup> The decisions are taken by show of hands, except for the election by secret ballot of the management board and of the auditing committee. All candidates for both committees are proposed separately and every member can speak for or against their nomination. Any name which is put forward can be included in the list of candidates for the secret ballot, provided that at least 50 per cent. of those present have voted, by show of hands, for the inclusion of the nominated person in such a list.

Management boards of the *Selpo* are elected at general or delegates' meetings for a period of two years, and consist of from five to seven members, one of whom presides. They meet not less than twice monthly and administer the general affairs of the societies.<sup>3</sup> Finally, the general meeting elects an auditing committee, which is really a consultative and inspecting committee, as it does not audit accounts, but generally supervises the work of the society and that of the board. It consists of from three to five members, who attend the meetings of the board and submit recommendations and suggestions for improving its work. If within a period of ten days after receipt of the recommendation,

<sup>1</sup> "In response to enquiries on this point, the Delegation were informed that it is extremely rare for difficulty to arise owing to non-attendance of the required number, the average attendance at meetings being 90 per cent. of the members" (see *Report*, p. 32).

<sup>2</sup> Matters to be determined by a general meeting of members, or in the case of the larger societies, by a meeting of delegates, are as follows: (a) amendment of rules and decisions relating to amalgamation or division of the rural consumers' societies; (b) election by secret ballot of the members of the board of the society and the auditing committee, who are elected for a period of two years; (c) approval of the decisions of the board of management; (d) approval of the admission or expulsion of members; (e) approval of the statement of accounts and plans for new constructions, and also questions pertaining to the sale of fixtures and other kinds of property; (f) decisions concerning the opening of new trading and other enterprises and the liquidation of any existing enterprises; (g) approval of the report of the auditing committee; (h) approval of the application of profits; (i) examinations of complaints regarding the unlawful actions of the board or of the auditing committee, and decisions regarding such complaints (see *Report*, p. 24).

<sup>3</sup> The *Report* remarks: "As it is with some British societies, any member of the society may be present at the meetings of the board" (see *Report*, p. 33).

the board fails to discuss it with the auditing committee "the recommendation automatically becomes operative."<sup>1</sup>

Those members of the management board who are not working full-time usually serve in an honorary capacity. The salaried staff consists of shop managers, book-keepers and salesmen. The staff is very often brought in from outside, as the Soviet village does not yet provide a sufficient number of well-trained clerical and sales personnel. Men and women employees are paid the same wages for the same job.

Usually, the local rural co-operative society has one or two main shops selling various foodstuffs, e.g. bread baked at its own bakery, flour, margarine, salt, sugar, tea, and various other goods, including cigarettes, matches, lamp-oil, textiles, clothing, crockery and ironmongery. Villages vary greatly in size, and in the bigger ones the co-operative society opens specialised shops for the sale of foodstuffs or other commodities. In other villages, there may be small trading stalls and kiosks, in addition to the central store. The larger *Selpo* run industrial enterprises of their own, such as bakeries, dairies, sausage or mineral water factories, repair shops, etc., based mainly on local raw materials and labour.

#### (e) *Pre-war Position*

Rural consumers' co-operative societies thus have as wide a range of activities in the Soviet Union as in any other country. For the most part, they are distributive societies, supplying the rural population, mainly, but not exclusively, with consumers' goods. Their widespread catering organisation is the largest of its kind in the world, and they also act as purchasing organisations.

Their membership stood at 36 million in 1940, as compared with 24 million ten years before. The number of primary co-operative societies was only 28,400, however, as compared with 41,400 in 1931—a 30 per cent. decrease in nine years, due mainly to amalgamation. The network of co-operative trading units in rural districts grew considerably during the ten years preceding the outbreak of the war, as may be seen from the following table:

<i>Number of</i>	<i>1931</i>	<i>1940</i>
Stores and shops	91,000	172,000
Stalls and kiosks	6,600	33,600
Rural universal stores	None	19,000
District universal stores	None	2,700
	<hr/> <u>97,600</u>	<hr/> <u>227,300</u>

<sup>1</sup> See *ibid.*, p. 33.

Thus in a single decade the number of units increased nearly two and a half times. To serve such a wide network of stores, etc., and to deal with the mass of goods involved, the movement built up its own transport organisation, with a large fleet of lorries and cars and special repair-shops.

The density of trading units is naturally much higher in the towns than in the country. For the 55 million of the Soviet urban population, there were in 1938 154,000 trading units, as against 201,000 units for nearly 115 million people living in rural districts. Whereas in the United States or Great Britain it is estimated that there is one retail shop for every seventy-eight and ninety people, respectively, a Soviet trading unit has to serve nearly 500, over a wide area.

The retail trade turnover rose from 16 to 174 billion roubles between 1929 and 1940. While this overall increase shows a greatly improved supply of consumers' goods, the existence of a high turnover tax, as well as the changes in the value of Soviet currency, make comparison between the two figures very difficult. On the other hand, the distribution of gross retail turnover as between the State and co-operative trade can be safely compared. Between 1936 and 1939, the gross and percentage distinction was as follows:

	1936		1937		1938		1939	
	In roubles (billions)	Per cent						
State trade	79.8	74.3	92.8	73.8	99.9	71.4	114.2	69.9
Co-operative trade	26.9	25.7	33.1	26.2	40.1	28.6	49.2	30.1
	106.7	100	125.9	100	140	100	163.4	100

The share of total turnover taken by the co-operatives has risen slowly from year to year—growing from nearly 26 per cent. of total retail trade in 1936 to over 30 per cent. in 1939. In terms of monetary turnover, the co-operative share has practically doubled—rising from 27 to 49 billion roubles.

Whereas in Tsarist Russia the annual expenditure of the peasant on items other than food, clothing, etc., was very low (the main items bought being petrol, matches, soap, crockery, watches, cheap musical instruments and textiles), the improved standard of life of the collective farmers has increased the demand for a great variety of consumers' goods. Comparing 1939 with 1930, when the scarcity of goods was very great, the sales of rural co-operatives in sugar and confectionery increased tenfold, that of soap

fourteen times, and those of various types of ready-made clothing and manufactured goods seven times; the 1939 sales of furniture were thirty times the figure of 1933. In comparison with the first years of the Soviet régime, the consumption of meat and butter among the peasants had by 1940 increased twofold, and sugar consumption about sevenfold. Peasants were buying in 1940 about three times as much cloth, footwear and other consumers' goods as they bought formerly.

Beside their normal function of retail distribution, rural consumers' co-operative societies act in several other capacities. First, they are often purchasing and collecting organisations for certain commodities, such as furs, the collection of which, in 1940, was ten times that of 1930.

Secondly, they have assumed an important role in the catering trade, which is of rapidly growing significance in the Soviet Union. At the beginning of 1938 there were at least 30,000 restaurants and canteens working under the supervision of the Commissariat of Internal Trade; in addition, a considerable number of canteens and restaurants belonged to factories and industrial trusts. Some of these establishments had special licences to buy their supplies direct from the producer. It was anticipated that by 1942 the number of canteens would grow to 60,000. Successful experiments have been made in the large-scale production of potato-peelers, bread-cutters, washing-machines, meat-mincers and fillers, with a high productive capacity. The Soviet Union has successfully organised, besides the production of mechanised equipment, the training of personnel to run canteens on a large scale. Rural co-operative consumer organisations were running 17,500 catering establishments in 1940. The number of restaurants has been rapidly increasing and the turnover of all catering establishments had reached 3,200 million roubles. During the war, co-operative catering organisations have, of course, become invaluable.

The Soviet Government have paid special attention to the development of consumers' co-operation in the Asiatic part of the Union. The case of Uzbekistan can serve as a good illustration. According to a report of the Chairman of the Uzbekistan Union of Consumers' Co-operatives, 400,000 new members, or over 7 per cent. of the population, joined the co-operatives in 1940 alone. During the following two years, 5,827 new distributive centres were established to sell goods never known before to the native population, such as bicycles, ready-made clothing, and furniture. The co-operative village dining- and tea-rooms have developed into community clubs, serving as centres of education

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and culture. These tea-rooms have become so popular that their number increased during 1940 by 74 per cent. It was reported that practically all rural retail trade in Uzbekistan was by then in the hands of co-operatives, served almost exclusively by the native Uzbeks, trained in book-keeping and salesmanship at co-operative schools in their native language.<sup>1</sup>

Lastly, the rural consumers' societies have started producing consumers' goods on a large scale: a considerable number of small factories are being run by local co-operative societies, some 1,800 of which employed 114,000 people, including 70,000 women, in 1940. They produce all sorts of consumers' goods, including processed foods, non-alcoholic drinks, etc.

One of the most important trades in co-operative hands is baking. There were in 1940 26,500 co-operative bakeries, producing 5,800,000 tons of bread. Between 1933 and 1940 the output of white bread and rolls in co-operative bakeries increased by 158 per cent., and that of rye bread by 50 per cent.; the output of fancy bread produced in 1940 was twelve times the amount for 1935. The Report of the British Co-operative Delegation mentions that at the end of 1944, notwithstanding the great destruction under German occupation, the rural consumers' societies were operating 9,647 bakeries.<sup>2</sup>

The consumers' co-operatives depend for their finance mainly on credits provided by the State Bank. Their own capital amounted in 1940 to 2,587 million roubles, with a reserve of only 133 million roubles. The State Bank supplies the purchasing and selling organisations with all the necessary credits on the basis of their annual plans.

The total surplus of the rural consumers' co-operatives amounted in 1939 to 620 million roubles, or only about 1½ per cent. of the turnover. Although local societies may pay individual member's dividends at a rate determined by the general meeting, dividends hold no great attraction in the Soviet Union, where co-operative societies serve mainly as a supply organisation<sup>3</sup> and are valued comparatively little on account of the opportunities for saving which they afford. The dividend is the first claim on any surplus, but it may not exceed 20 per cent. of the total. A further 10 per cent. is set aside for development, 15 per cent. for cultural purposes, 5 per cent. for education, and the remaining 50 per cent. is passed on to reserves.

<sup>1</sup> See Professor V. J. Tereshtenko, "Co-operatives in the Soviet Union," in *The U.S.S.R. Economy and the War*, 1943.

<sup>2</sup> See *Report*, p. 14.

<sup>3</sup> See R. A. Palmer, *Co-operative News*, December 2nd, 1944.

In the fields of education and culture, co-operative organisations are doing invaluable work. They spend a good deal of money on health and cultural institutions, such as kindergartens, crèches, sanatoria, rest-homes and clubs, and notable use is made of their catering establishments for cultural activities.

Facilities for professional training are organised by the *Centrosoyus*. Total expenditure on training was 250 million roubles in 1939, but the demand for trained employees is still very great and the Soviet Press is constantly criticising the quality and size of the movement's training and educational services.

Responsibility for improving distribution services, as well as for reducing the great losses sometimes entailed in handling goods, has been entrusted by the State to the trade unions. That has proved a very difficult task. The unions have not been able to bring about the required improvement in the supply of goods and services to townsfolk without re-establishing urban co-operation. In the opinion of trade union leaders, it is the rather bureaucratic habits of Soviet trading organisations that hold down the turnover of trade and affect the quality of the service.<sup>1</sup> In the Soviet Press, complaints of pilfering can be found, for example, in the Serov group of shops, where, in the first two months of 1941, goods to the value of 13,000 roubles were stolen. It is abundantly clear that the problem of reorganising urban distribution, although tackled by new methods in the years following 1934, has yet to be solved.

A solution has been sought in a great educational campaign which the leaders of the trade unions of co-operative employees are organising amongst their members. Despite slight improvements in the situation during 1940, the complaint is still made that "the average standard of general and technical education amongst the trade employees is low, though according to the Commissariat of Internal Trade over 7 per cent. of the managers of shops, warehouses and 'bases' had a university or higher-school education. Technical colleges and universities are preparing thousands of people for the trading network. It is essential that the heads of the training institutions should have on their staffs educated people able to understand the economics and technique of trade."<sup>2</sup>

<sup>1</sup> See Bergman's article in *Trade Union*, No. 4, 1941.

<sup>2</sup> See *ibid.*, *Trade Union*, No. 4, 1941.

## CHAPTER IV

### HANDICRAFT CO-OPERATION

#### (a) *Before the October Revolution*

IN RUSSIA, HANDICRAFT INDUSTRIES have for centuries been widespread, as they offer a supplementary occupation and source of income to rural folk during the long winter months.

Attempts to develop industrial co-operation among master craftsmen and artisans were not very successful at first, often because of their habit of working in *artels*. The widespread existence of these small producers groups with family or local connections (*artels*), made it unnecessary to set up, in many cases, a special co-operative society to handle the work already done in common. The *artels* were specially popular in building trades of every kind.

Co-operative propaganda among master craftsmen proved more successful during the First World War. As the shortage of goods became increasingly felt, more people took part in the local handicraft industries, which were employing millions of peasants by the time of the October Revolution. The manufacture of felt boots and of hemp and leather shoes was in their hands entirely, and they also produced large quantities of furniture, household utensils and cloth.

Before the October Revolution there were some 4,500 producers' co-operative societies in Russia. The Soviet leaders realised from the beginning that the artisans' co-operative movement could play an important part as a subsidiary organisation, and give supplementary service to the large-scale State industries, especially in the manufacture of consumers' goods.

#### (b) *The N.E.P.*

As early as 1921 Lenin wrote: "The handicraft co-operative societies will help to develop small industries which will make possible an increase in the production of goods needed by the peasants; especially of those goods which need not be transported a long way by rail, or to be produced in big factories.

“Support and develop the handicraft co-operative movement by every means available and give them every assistance; this is the duty of every Party man and Soviet worker.”<sup>1</sup>

Following some improvement in the organisation of the movement, a national union of artisans' co-operative societies was established in 1918, called the All-Russian Co-operative Association for Manufacturing and Marketing of Handicraft (*Kustar*) Products, better known as *Kustarsbit*. In 1922, it was replaced by a new organisation, the Central Federation of Handicraft Co-operative Societies, in which a modest membership of 84,000 had grown to 600,000 by 1927. The Central Organisation of Siberian Co-operatives (*Zakupsbit*) had already been performing a similar task for the handicraft associations in that part of the Union. During the period of the New Economic Policy, the number of handicraft co-operatives grew swiftly, and some of them even began to take part in the export trade.<sup>2</sup>

At first their organisation was simple. They merely sold products of their members and purchased supplies and provided credit for them. Later on these functions were replaced by newer and more specialised forms of producers' co-operation. The members were better provided with technical facilities, and there occurred, in consequence, a shift in the scene of labour from the home to collective workshops, where all equipment, materials and funds were owned in common. By 1928 there were already over 15,000 such workshops, in which about 300,000 workers were engaged; including the *artels*, over 1,000,000 handicraft workers mainly occupied in building were participating in production on a co-operative basis.

### (c) *Planned Economy*

With the introduction of a planned economy, it became necessary to reconsider the practical position and the future problems of the producers co-operative societies. This was, in fact, done in 1932 by a special commission, which decided that under the Five Years' Plan the handicraft movement must be utilised to the utmost. A decree issued on July 23rd, 1932, provided for “registration of the activities and of the organisation of handicraft co-operation.” It encouraged handicraft associations to produce consumers' goods from raw materials, which, though in short supply over the Union as a whole, could be

<sup>1</sup> Lenin, Vol. 26, 3rd Edition, p. 357.

<sup>2</sup> For details see S. and B. Webb, *op. cit.*, Vol. 1, p. 221-33; also N. Barou, *Soviet Co-operation Abroad*.

obtained in limited quantities locally. The Central Committee of the Communist Party issued special appeals to all Party organisations that they should do all in their power to get the decree carried out without delay and to give the utmost help to artisans' co-operative societies.

The Central Federation was reorganised in 1932 as an All-Union Council of Handicraft Co-operative Societies (*Vsekhpromsoviet*), composed of representatives of all the regional councils of the handicraft co-operatives. The regional councils have by now come to take a leading role in the organisation of the movement. Although they themselves are not engaged on production or distribution, they aid the local handicraft co-operatives with advice, drafting of development plans and the settlement of disputes.

The Soviet handicraft co-operatives are voluntary associations of master craftsmen who pool their funds, skill and equipment for joint production and distribution. On the production side, they run small saw-mills, mines, quarries, mills, chemical plants, fisheries and repair-shops, and produce all sorts of commodities, such as household articles, boots, toys, artistic wood and metal goods, lace and embroideries. Among the services they offer are building, tailoring, watch-making, carpentry, painting, plumbing and transport. Their production fits into the general regional and local plans of the U.S.S.R. for the fulfilment of which they receive their supplies of raw material and machinery.

They are run by their own members at their own risk and for their own benefit, elect their own management bodies, and decide how the income from their co-operative effort is to be divided. Each handicraft co-operative society has a legal right to find the materials for its own production, with the exception of wool, cotton, flax, hemp, and hides (other than pig-hides), and within the geographical limits prescribed by the Supplies Committee of the Council for Labour and Defence. The handicraft co-operatives may also acquire waste, refuse, industrial remnants, scrap, rejects, and waste timber from industrial enterprises, which are advised to conclude contracts with the co-operative for such supplies at agreed prices. Moreover, the co-operatives are free to sell to clients authorised by the State any of their produce for which the materials are not provided out of State funds. Here again, State organisations and consumers' co-operatives are advised to place contracts with handicraft co-operatives.

All the work in handicraft co-operatives has to be done by members; they may, however, employ non-members (e.g. engineers) as specialists or as subsidiary or seasonal workers,

provided that their number does not exceed 20 per cent. of the total working membership.

Like other Soviet co-operatives, the handicraft societies conduct educational activities, general and professional, on a large scale. They run a great many technical schools, club-houses, holiday-homes and sanatoria for their members.

Under successive Five Year Plans, the scope and influence of this type of co-operation has proceeded apace. The greatest expansion occurred between 1928 and 1937, when 45,000 new general workshops were started. While a small proportion of co-operative handicraftsmen continued to work at home, though in close connection with the workshops, the workshops themselves produced by 1937, 97 per cent. of the total output of industrial co-operatives; which was valued, in terms of 1932 prices, at 13,200 million roubles. In a number of manufacturing lines, including chemicals, paper and printing, leather footwear, felt articles, and foodstuffs, work at home had completely ceased. Metal-working, haberdashery, and fur-craft work, school supplies and art products are rapidly being transferred to workshops. There are still a few lines of work, however, where the workshops include only a few craftsmen, but where the greater part of the output is produced at home. Workers dispose of their finished goods through the industrial co-operatives and obtain their materials from them; among these lines are rug-weaving, embroidery, lacework, hand-weaving and a few others. Even in these cases, however, general workshops are springing up and challenging the position of the house workshop.

During the same period (1928-37) the introduction of machinery into the co-operative workshops proceeded at a rapid rate. The means of production at the disposal of the average co-operative handicraft worker increased five times, and many who had never used mechanical power before, started using machinery and modern tools. This change, naturally, exerted a definite influence on the working methods in the workshop. The smaller shops expanded, reorganised their production plans, and sometimes even altered their technical processes completely. Antiquated handicraft shops developed into new industrial enterprises. Industrial co-operatives thus passed over into the stage of machine production and, simultaneously, improved hand-tools were forthcoming to supplement the machines.

There were, before the outbreak of the war, a considerable number of handicraft co-operatives with as many as 100 to 500 workers each, not only in the cities, but even in distant, formerly backward, districts. Thus, for example, in Leninabad (Tadjik-

istan) there is a large *artel* of silk-weavers with over 600 former handicraft co-operative workers. Another, in Namangan (Uzbekistan), has over 1,000 workers; while in Margelan (also in Uzbekistan) the former centre of handicraft silk-weaving, there are three workshops each containing thousands of former individual handicraftsmen. Bukhara and Fergana have similar shops, and cotton-weaving shops exist in the Volga-German republic and elsewhere.

The old, seasonal, character of handicraft work, which owed its origin to the long Russian winter, has been modified, and instead of working an average of seventy and eighty days a year and devoting much of his time to agricultural work, the handicraft worker now puts in 260 to 275 days at his main job, his place in the fields being taken by the machinery that now does most of the farm work; a number of industries now work all the year round. Output and earnings per man have greatly increased, and the housing and living conditions of the workers have been considerably improved.

The value of the total output of all products rose from 5,763 million roubles in 1932 to 13,200 million roubles in 1937. Nearly 10,000 millions of the latter figure denote consumers' goods. In 1938, the total sum was exceeded by 1,900 million roubles. In the following year, the handicraft industries turned out over 20 per cent. of all consumers' goods produced in the Union, excluding food products. These industries produced 35 per cent. of all the furniture manufactured, 35 per cent. of upper knitted clothing, 35 per cent. of felt footwear, 42 per cent. of metal household goods, 65 per cent. of metal bedsteads, 33 per cent. of ready-made clothing, 15 per cent. of knitted underwear, and 80 per cent. of haberdashery goods. Such articles as high-priced artistic rugs, embroideries and laces, scissors, kerosene stoves, many kinds of wooden and metal kitchen-ware, children's toys and musical instruments, are almost entirely produced in industrial co-operatives.

Since 1932 the handicraft co-operatives have made very striking progress. The information available shows that on January 1st, 1935, 16,150 artisans' co-operatives were running 43,665 productive units, employing nearly 1,600,000 members.

The progress of the handicraft co-operatives during the next five years was such that just before the war their productive units numbered 80,000, with a membership of about 1,800,000, of which 1,200,000 were in the R.S.F.S.R., 400,000 in the Ukraine, 50,000 in Byelorussia, and 150,000 in other parts of the Union.

The role played by handicraft co-operatives in the national economy before the war was considerable; but for the German invasion, their output was expected to reach 25 billion roubles by the end of 1942, the last year of the Third Five Year Plan. In 1941, they produced, among other commodities, 40 million pairs of footwear, 61 million pairs of hose, half a million kerosene stoves, and 78 million metres of cotton goods.

There have been two weak spots of importance in the organisation of handicraft co-operatives. First, the quick turnover of labour: taking the societies composing the *Vsekopromsoviet*, we find that in the year before the war 861,000 workers left and 987,000 entered their employ; there was thus an annual turnover amounting to over 50 per cent. of the average annual membership of the societies.

The second shortcoming was the systematic reduction, year by year, of the total output of goods produced by the rural handicraft co-operatives. Not only do the urban societies lead the village societies in production; in some districts there are hardly any of the latter still in existence. The increase in numbers and output of societies, of which much has been said above, is confined to those in urban areas. Up to 1939, there has been no change for the better in this respect. Two of the large associations of co-operatives were supposed to have opened about 1,300 handicraft co-operatives in the villages by 1938; but one fulfilled only 33 per cent. of its plan, and the other allowed the number of its village co-operatives to shrink rather than increase. The position has, however, improved considerably during the pre-war and war years.

A special and interesting kind of co-operative effort, which combines the functions of both producers and consumers societies, is to be found in the fishing co-operatives of the U.S.S.R. They organise the catching and distribution of fish and own a fleet of over 600 boats. The membership of their 427 societies is about 550,000. They are also purchasing agencies for their members, supplying them, not only with fish which they themselves have caught, but also with other foodstuffs and consumers' goods, and implements and fishing-tackle for use in the industry. The societies also act as collecting agencies for food and raw materials.

## CHAPTER V

### CO-OPERATIVE BANKING AND FOREIGN TRADE

#### (a) *Introduction*

ON THE WHOLE, THE FIELD of finance has never been adequately cultivated by the co-operative movement. Its efforts in that field have not matched in range or activity the achievements of consumers' and agricultural producers' branches. Co-operative finance first appeared during the nineteenth century—in the credit and banking organisation founded in Germany by Herman Schultze and Raiffeisen. Though local credit co-operative societies are very numerous, they have generally speaking, failed to offer a real foundation for the unification of co-operative financial organisation within each nation. Co-operative banking, therefore, has remained one of the least developed and least effective branches of the movement, and it is still feeling its way towards new methods of organisation and operation.<sup>1</sup> Even in countries where central co-operative banks have been formed by consumers or agricultural co-operatives, those banks have not assumed the role of a central financial institution for all branches of the movement. Such innovation would mean closer cohesion between the finances of local and central organisations and would transform a united co-operative bank into a national centre of co-operative finance and credit. This is a big task; and, in tackling it, co-operators can, if they will, learn a good deal from Russian experience.

#### (b) *A National Bank*

The co-operative banks in Russia had a unique origin in that they were established, not by a single branch of the movement, as is usual in other countries, but as the financial centre for all types of co-operative organisations. Their experience proves, not only that a united national co-operative bank can exist, but also that where it does, it renders invaluable service to the movement.

<sup>1</sup> See N. Barou, *Co-operative Banking*, London, 1932.

The first Russian co-operative bank, the Moscow Narodny (or People's) Bank, was established in 1912 with a capital of 1,900,000 roubles. Immediately, it was most successful. By 1916 it had accumulated 30,800,000 roubles of deposits, and increased its annual turnover to 1,188, million roubles; 70 per cent. of its shares were subscribed by credit associations and their unions, 12 per cent. by consumers' co-operatives, 6 per cent. by agricultural co-operative societies, and 8 per cent. by individuals.

At the end of 1917 the Soviet Government decreed the nationalisation of the banks. There was only one exception, the Moscow Narodny Bank, which remained an independent credit institution, serving the needs of the co-operative organisations and of the population in general. It was not until December, 1918, that the Moscow Narodny Bank was nationalised and made a co-operative branch of "The People's Bank of the Soviet Republic."

When the civil war came to an end in 1920, a start was made with the reorganisation of the economic life of the country, and by a decree on January 24th, 1922, credit co-operation was reintroduced.

In February, 1922, the new "Consumers' Co-operative Bank" (*Pokobank*) was formed. The maximum amount of capital which it could issue was initially fixed by statute at 1,300,000 gold roubles, but in view of the great demand for its shares, that amount was subsequently increased to 4,900,000, roubles. In January, 1923, the *Pokobank* issued shares for 4,154,800 gold roubles to the *Centrososyus*, to 600 consumers' co-operatives, 86 provincial co-operative unions, 199 towns' co-operative unions, 53 transport co-operative unions, 36 workers' co-operative societies, 172 distributive co-operative societies, and 31 army co-operative societies.

During the autumn of 1922, the proposal to re-establish a united co-operative bank, for use by all types of societies, was discussed again within the movement, and in December, 1922, representatives of the consumers' and producers' organisations signed an agreement for the establishment of an All-Russian Co-operative Bank (*Vsekobank*). The balance and technical machinery of the *Pokobank* as it stood on January 1st, 1923, was accepted as a basis for the new bank.

The authorised capital of the *Vsekobank* at the time of its foundation amounted to 10,000,000 roubles, divided into shares of 100 roubles each. As its operations developed, the authorised capital was repeatedly increased, and in 1928 amounted to 40,000,000 roubles. In October, 1929, its shares were held by

17,806 co-operative organisations, of which 63 per cent. were consumers', 25 per cent. agricultural and 12 per cent. peasants' craft co-operatives.

With rapidly growing activities, the total resources of the *Vsekobank* rose by October 1st, 1929, to 560,000,000 roubles, with its own resources of 48,600,000 roubles and deposits of 107,600,000 roubles.<sup>1</sup>

The total indebtedness of the clients of the *Vsekobank* amounted on October 1st, 1929, to 308 million roubles, two-thirds of which consisted of short-term, and one-third of long-term loans—the latter financed by long-term loans from the State Bank.

### (c) *The Ukrainbank*

The establishment of the All-Ukrainian Co-operative Bank (*Urainbank*) dates back to the beginning of the First World War, but the political and economic conditions that prevailed during the war and after the Revolution militated against its successful development. New statutes for the Bank were introduced and ratified by the Economic Council of the Ukrainian Soviet Socialist Republic in 1922, and by the end of the year it had established eight branches.

Thereafter, it grew rapidly. By October 1st, 1929, its total assets had risen to 132 million roubles, including 11 million roubles of its own (as compared with 26,000 roubles in 1922), and deposits amounting to 31 million roubles. The shares were held by nearly 5,500 co-operative organisations, which in the same year received credits amounting to 59,000,000 roubles.

Soviet co-operative banks granted credits only to co-operative organisations: about half the credit granted in 1929 went to consumers' co-operatives, a quarter to agricultural societies and the rest to handicraft and sundry societies. Amongst the clients, local societies occupied the first place and were followed by regional and central co-operative organisations.

<sup>1</sup> In the total assets of the *Vsekobank*, the funds of the trade unions were a large item, as may be seen from the following table:

Date, October 1st	Total resources of the Bank	(In 1,000 roubles)			
		Deposit accounts	Deposit Ac- counts of trade unions	Percent- age of total resources	Percent- age of deposit accounts
1924	56,568	24,298	6,323	11	26
1925	93,328	52,032	13,549	15	26
1926	121,484	55,767	21,866	18	39
1927	142,988	73,105	32,388	23	44
1928	289,689	89,571	34,079	12	38
1929	367,000	107,578	44,000	12	41

(d) *The Credit Reform Act*

At the beginning of 1930 the banking system of the U.S.S.R. was altered fundamentally. The Credit Reform Act, enacted on January 30th, 1930, pointed out that "the rapid development of Socialist principles in the national economy of the U.S.S.R. and the degree of success achieved in the planning of national economy had made necessary a radical reform of credit." The new Act introduced several changes: (1) it decreed the abolition of commercial credit in trade operations between different State enterprises or co-operatives and the replacement of trading credit by bank credit; (2) it ordered the concentration of the whole of short-term credit for State industry and the co-operatives in the hands of the State Bank; (3) it proposed the re-organisation of the co-operative banks; and (4) stipulated that the State Bank should become the central clearing house of the country.

The existing co-operative banks, *Vsekobank* and *Ukrainbank*, were thus reorganised. Under the new regulations their functions were to finance the long-term credit operations of co-operative societies and their export and import transactions. Later they were also authorised to grant credits for housing and municipal finance.

(e) *Foreign Trade*

Great Britain was not the first foreign country with which Russian co-operative societies conducted trade, but London quickly assumed a position of the first importance, with the result that as early as 1915 a trading agency of the Moscow Narodny Bank was set up to represent Soviet co-operatives operating in this country. Although the conditions in which it worked during the War of 1914-18 were extremely difficult, considerable headway was made.

During the latter part of 1918 the London agency became a branch of the Moscow Narodny Bank (Moscow) and the business of the trading agency was merged in it. Activity reviving, goods to the value of £500,000 were shipped to Russia in 1919. The Moscow Narodny Bank, Ltd., was incorporated in London as a British limited liability company, with an authorised capital of £250,000, divided into 25,000 shares of £10 each. Hopes of extensive and immediate development were not, however, fulfilled at that time, as conditions in Europe and political trends in Russia brought business practically to a standstill. Such conditions prevailed until the beginning of 1922, when the central co-operative organisations of the U.S.S.R., headed by the All-

Russian Central Union of Consumers' Societies (*Centrosoyus*), resumed trading in foreign markets, and began to get in touch with existing Russian co-operative agencies abroad. Contact was soon restored, and these agencies at once began to develop their normal trade functions, though not until 1924 was really satisfactory progress made. During the following six years the Bank financed the export and import operations of Soviet co-operatives to the extent of some £35 millions.

Russian co-operative societies developed overseas trade, not in Great Britain alone, but also in Germany, France, the United States and other countries.<sup>1</sup> The Moscow Narodny Bank, Ltd., since it acted as the central banking institution of these organisations and financed their trading operations, had to establish branches in Berlin and Paris and an agency in New York. The Co-operative Transit Bank at Riga developed on similar lines in the Baltic States. The financial operations of the Banks were confined to financing, in the first instance, Soviet exports of raw materials and manufactured produce, and, secondly, purchases of consumers' goods, agricultural machinery and industrial equipment abroad.<sup>2</sup>

Co-operative exports for the period 1922-8 amounted to nearly £46 millions, representing about 65 per cent. of their total foreign trade. The chief commodities handled were furs 29 per cent., butter 28 per cent., flax 19 per cent. and eggs 11 per cent.

Soviet co-operative organisations which are registered as British limited liability companies used to conclude agreements with the central co-operative organisations of the U.S.S.R. for the handling of their exports to foreign countries. The Moscow Narodny Bank, Ltd., usually undertook to provide the necessary financial facilities. As business grew, greater demands were made on the banks, and to meet these requirements financial assistance was sought and obtained from banking institutions operating in the countries with which the Soviet co-operatives developed their trade operations.

To keep pace with the increase of co-operative trade and the growing demand for financial facilities, the share capital of the Moscow Narodny Bank, Ltd., had to be increased. By 1930 it had risen to £1,000,000, of which £845,000 represented paid-up capital; in addition reserves and undivided profits amounted to nearly £170,000.

<sup>1</sup> See N. Barou, *The Co-operative Movement in the U.S.S.R. and its Foreign Trade* (1929); *Russian Co-operation Abroad* (1930).

<sup>2</sup> N. Barou, *Co-operative Banking*, 1932, London.

The capital of the Moscow Narodny Bank was subscribed mainly by the *Vsekobank*, holding 75 per cent., and by Soviet consumers' and agricultural societies in equal proportions.

The facilities provided by the Bank consisted of discounting or granting cash advances against bills of exchange drawn by the exporting organisations on the Soviet co-operative societies established in Great Britain and other foreign countries. These were only intended to be initial advances amounting to 25 per cent. of the market value of the goods to be exported. As and when the goods were ready for export, documentary credits were established with the Bank's correspondents in the U.S.S.R. in favour of the central exporting organisations. These credits were usually granted to the extent of 40 per cent. to 50 per cent. of the market value, thus bringing up the total finance provided by the Bank to some 70 per cent. to 80 per cent. of the value of the goods consigned to it or placed under its control.

In financing export operations, the Moscow Narodny Bank, Ltd., enjoyed full co-operation from banks in various countries. Foreign banks discounted bills of the Russian co-operative exporters endorsed by the Moscow Narodny Bank, Ltd., and also made considerable advances against exported goods.

Purchases by the co-operative societies of the U.S.S.R. from abroad amounted for the period of 1922-8 to £25,412,640, or about one-third of their total trade turnover. Credit for purchases abroad was, in practically all cases, given by firms from which such purchases were made and usually amounted to 80 per cent. of the total value of the goods purchased.

The foreign trade of Soviet co-operatives was greatly facilitated by the support of co-operative organisations in Great Britain and other countries. The Co-operative Wholesale Society in this country took the lead in building up this trade during the years 1928-36, and their purchases amounted to £5,400,000 and their sales to £7,750,000; over the period of 1925-38, the Scottish C.W.S. bought from the *Centrosoyus* goods of £1,700,000 in value. The Banking Department of the C.W.S. and mixed Anglo-Soviet co-operative concerns financed purchases and sales to the value of nearly £100,000,000. Political difficulties, which arose between the Government of the two countries during the 'thirties, restricted inter-co-operative trade, but there is reason to believe that it will grow and prosper again.

## CHAPTER VI

### CO-OPERATION AND THE WAR

#### (a) *Collective Farming*

AT THE HEIGHT OF THE INVASION, the Soviet Union had lost over 30 per cent. of its population, and the percentage of the loss sustained in such important agricultural products as grain, fats, butter, meat, sugar and tobacco was much higher, owing to the fact that the occupied regions were its main granaries and bases of supply.<sup>1</sup>

The ascertained material damage done by the Germans to the collective farms, as given in the report on total material damage done by the invaders, published by the Extraordinary State Commission on September 13th, 1945, was as follows: over 70,000 villages and hamlets demolished and completely or partially burned, 98,000 collective farms ruined and plundered, 2,890 machine tractor stations broken up, 7 million horses (out of 12 million previously in the occupied zones) and 17 million head of cattle (out of 31 million previously there) slaughtered or taken away, etc., all to a total value of 181 milliard roubles in 1941 prices (for collective farm property only).

In the reception of evacuees from occupied regions collective farms played a foremost part; men, livestock, machines, fertilisers and seeds, which were distributed amongst the collective farms and machine tractor stations in the reception areas, were rapidly put to work and so helped materially to increase production.

The agricultural life of the Soviet Union was kept steadily going while being adjusted to new requirements; this was very largely due to the existence of a planned economy which facilitated the mobilisation of manpower, the increase of production in the safer regions, the development of new agricultural areas, and the rapid introduction in those areas of new types of cereals and vegetables that had been little cultivated before the war. The cultivation of new areas and the rapid construction of new

<sup>1</sup> See Appendix XI, Collective Farms under the German Occupation, p. 113.

systems of irrigation brought about a considerable increase in the area of arable land. Sugar-beet plantations were developed and refineries built in the east and north European regions, in Uzbekistan and in Siberia. Potato cultivation also went ahead by leaps and bounds.

As the demand of the armed forces and industry for manpower has grown, the supply of home-produced food has become virtually a woman's job. "Never before," writes a Soviet newspaper, "has woman's role in agriculture been as important as it is at present. Women are now the chief workers in our country-side."

Apart from the ordinary agricultural work, a great deal of which was always done by women, their successful handling of mechanical equipment and of the administration of collective farms are constantly being publicised. Of the 170,000 newly trained tractor drivers in 1942, 125,000 were women. In 1943, 3,846 women's tractor brigades and over 145,000 women tractor drivers took part in an annual national competition and 170,000 women farm-workers entered the All-Union Socialist Competition for land-workers. At the end of 1943 in the Altai territory 18,000 women had become tractor-drivers and harvester-combine operators since the beginning of the war and over 6,000 had become farm managers or tractor brigade leaders, while 300 had been elected chairmen of collective farms.

In the collective farms of the Moscow region alone, 1,146 women were in 1943 at the head of field teams. These figures, coming from some of the most highly developed agricultural regions, are a good illustration of the part women have played in Soviet agriculture during the war.<sup>1</sup>

Besides the women permanently working on the land, a great many housewives and women employees help on the farms during the harvest season. A decree of April, 1942, rendered all able-bodied men between fourteen and fifty-five and all able-bodied women between fourteen and fifty who were not already employed in industry and transport liable to mobilisation for land work whenever necessary.

<sup>1</sup> Speaking at a women's conference in Moscow in April, 1943, one of the best-known women tractor-drivers in the Soviet Union, Darya Gamsh, said that in her home district (Ryasan) 400 women were working as farm managers, 560 as chairmen of village soviets (councils), about 4,500 as tractor-drivers or harvester-combine operators, and 5,500 were managers of livestock farms. Darya Gamsh, who initiated Socialist Competition among women tractor-drivers, had by June 22nd, 1944, with her women brigade, covered 5,800 acres of land, three times as much as the normal annual quota.

"Socialist competition," extended to agriculture on a very large scale, has increased productivity together with economy in materials, seeds, fertilisers and agricultural implements far beyond what was planned. The aim has been to improve present standards of sowing, ploughing, harvesting, stock-breeding, and machine repairs. Through the organisation of "front line decades," i.e. special ten-day periods of intensive work during harvesting, the yield of crops has gone up by some 25 per cent. since this practice was introduced.

Again, agriculture has made real progress during the war owing to the more intensive application of scientific methods. To further that progress, the Soviet Academy of Science devoted much of its activities in 1943 to increasing the yield of rubber crops, sugar-beet and potatoes and to raising the output of synthetic fertilisers. As flax is an important war material, special efforts were made to maintain the volume of production for the country as a whole, and the loss of important producing districts was made up by increasing the yield in others.

In order to improve stock-breeding, much attention was given to the provision of more fodder, the increased use of winter pastures, the reduction of the death-rate of young stock through greater care and the improvement of fertility through new methods of artificial insemination. In this connection, special privileges were granted both to those collective farms which were most successful in cattle breeding and to their best individual workers.

Early in the war all efforts made to increase agricultural production and to maintain supplies were seriously endangered through the disorganisation of the market trade of collective farms. In 1942 *Pravda* complained that "insufficient attention was being paid to this most important source of wartime supplies. The local food reserves," it went on to say, "together with the goods brought to the market by the collective farms and their members, must become one of the main sources of supply for the masses. But the organisation of collective farm trade is being seriously neglected. These markets have in fact ceased to exist in many places and in some places speculators are active on their territory." The paper then explained that if the member who sells his goods on the market is to support it, he must be given the opportunity to buy the goods he needs and added: "When this two-way traffic trade of collective farms is being discussed, some officials, who are used to receiving everything ready-made, prefer to argue that some commodities are unobtainable. This argument has no foundation. In every town one can organise

the production of such goods as new and repaired clothing, boots, soap, hardware, simple furniture, etc."

The serious warning given to the producers of consumer goods has had its effect. Rural consumers' co-operative societies, hand-craft co-operatives, and workers' supply departments have done their best to develop and increase with great vigour and ingenuity the production of consumers' goods from local raw materials and by local resources. But the civilian population has experienced very great hardships, and British war rations would seem a great luxury in comparison.

The rapid liberation of Soviet territory from the invaders opened the way for rapid rehabilitation and re-establishment of Soviet agriculture. The agricultural plan published on March 15th, 1944, laid down its outline for that summer. It provided for a sown area under all crops in collective farms of 18,673,000 acres more than the year before, not counting the liberated areas of the Ukraine west of the Dnieper, the Leningrad and Kalinin regions, and the liberated parts of the Byelorussian and Estonian Republics. The area under grain crops was to be 13,437,000 acres more than the previous year. The plan provided for special measures to increase the harvest of sugar-beet and cotton. The decree promulgating the plan laid down in great detail the agrotechnical measures to be taken in each region and autonomous republic, and the areas to be planted under each crop. The plans for each collective and State farm had to be prepared on this basis within ten days of the publication of the decree.

The re-establishment of Soviet agriculture is proving to be no easy task, however. The German invaders destroyed all they could lay their hands on before leaving, but the collective farmers are working hard to restore their farms and villages. Here is a description of the position in Byelorussia in the autumn of 1944: "The German Fascist robbers have, in the three years of their occupation, destroyed and demolished 342 machine tractor stations and their technical equipment. The sown area was greatly reduced: the sowing of grain has decreased by more than 40 per cent., potato planting by half, and flax to one-eighth of the pre-war amount. The invaders have liquidated all the special livestock collective farms; the number of horses has been reduced by 71 per cent., large horn cattle by 78 per cent., sheep by 84 per cent., and pigs by 92 per cent.

"Soviet agriculture in Byelorussia has been thrown back very far. Notwithstanding all these losses, the collective farmers in Byelorussia re-established in the autumn of 1944 9,160 collective

farms (90 per cent. of the pre-war number), and ninety machine tractor stations, and yet another 228 of these are to be set up again.

"Grain production has been restored up to 60 per cent., and much energy has been devoted to improving the soil and to gardening."<sup>1</sup>

In the Ukraine the position is similar. One year after liberation (1944), the collective farms were tilling and sowing 65 per cent. of the pre-war area, that under grain being 73 per cent. of pre-war. The pre-war level has actually been achieved by the Ukraine collective farms in some branches of agricultural economy. Thus 1,173 machine tractor stations are again set up and the collective farmers undertook to complete the whole annual plan of grain deliveries by October 25th, 1944, and to deliver an additional 250,000 tons for a Red Army special fund. By October 10th, 1944, 91 per cent. of the plan had been completed.<sup>2</sup>

Through special efforts made during 1943 in the collective farms in the Moscow District, vegetable crops increased by 16 per cent. over 1941, and in other districts by as much as 50 per cent. In the same period two million more acres of potatoes were sown.<sup>3</sup>

To sum up: war experience has proved that, notwithstanding all difficulties and shortcomings, the collectivisation and mechanisation of agriculture are among the main foundations of the military success of the Soviet Union and of its capacity to build up in such a short time a mechanised army of colossal dimensions and great efficiency. Collective farming proved also to be the backbone of the Soviet home front.<sup>4</sup> The enormous area of the country and the organisation of its agriculture on the basis of collective farming made possible a large-scale agricultural evacuation, involving the orderly transfer of millions of farmers, livestock and equipment to new places. We believe that collective farming will also serve as the main weapon of speedy and successful post-war reconstruction.

<sup>1</sup> J. Krupenia, *Izvestia*, No. 252, October 22nd, 1944.

<sup>2</sup> N. S. Chrutschev, *Izvestia*, No. 247, October 17th, 1944.

<sup>3</sup> *Socialist Agricultural Economy*, 1944, No. 4, p. 16.

<sup>4</sup> See *Pravda*, No. 279, November 12th, 1943: "If in the third year of the war our Army has not experienced shortage in the supply of food, if our population is supplied with food and industry with raw materials, it is a result of the power and vitality of collective farming and the patriotism of peasant economy" (Stalin in a speech on November 7th, 1943). See also N. Barou, *The Soviet Home Front*, London, 1943.

#### (b) *Rural Consumers' Co-operation*

The war has put a heavy strain on the distributive machine. Immediately after it began, rationing was introduced and the urban population had to be satisfied with a very meagre diet. The system was differential, and provided special and larger supplies for workers in war industries.

Enemy occupation of important agricultural areas meant, at the height of the invasion, a loss of supplies amounting to 55 per cent. of the fats, including butter, 60 per cent. of the sugar, and 70 per cent. of the tobacco, and, since the Red Army had to be fed at all costs, civilian rations had to be further reduced.

The evacuation of tens of millions of people imposed on the distributive system difficult tasks, some of them insurmountable. Rural consumers' co-operatives had to face the problems of readjusting distribution, increasing and developing their catering and bread-selling organisation, collecting foodstuffs and raw materials, and increasing the local production of consumers' goods and supplies for the armed forces. They dealt with all these difficult tasks with equal courage and success.

The movement as a whole, however, suffered badly from the ravages of war. Following the destruction occasioned by the German occupation, membership of the rural consumers' societies dropped from 38 to 28 millions and the number of shops remaining open fell to 95,831. The annual trade of the *Centrosoyus* fell from 42 to 22 thousand million roubles; it did not pay dividends, but used its surplus to make grants to societies asking for aid and for educational and cultural purposes.

But notwithstanding the terrible war conditions, the *Centrosoyus* had at the beginning of 1944 a membership of 24,156 societies covering all types of co-operation, as follows: 18,222 rural and 77 urban societies, 396 district societies, 2,776 district unions, 2,533 collecting and 1 fishing society, and 89 regional and 62 republican and territorial unions.

The Board of Directors of the *Centrosoyus* is elected at national congresses held every five years: at present the Board consists of eleven members, who serve as full-time Directors. It is responsible for the central activities and the supervision of the whole network of rural consumers' co-operatives. Its annual plans indicate the minimum amount of trade to be conducted by each co-operative society. The regional, district and local societies are not bound to purchase goods from the *Centrosoyus*, but they buy from it about four-fifths of their total requirements; the remaining fifth is bought from State organisations and from individual peasants and handicraft co-operatives.

The *Centrosoyus* and the regional unions are making serious efforts to increase through education the supply of trained employees for the movement. *Centrosoyus* has organised three colleges, forty-two technical schools and forty-seven co-operative schools. By October 1st, 1944, there were 950 students in the colleges, 8,766 in the technical and 5,080 in co-operative schools. The students have their lodgings free, and *Centrosoyus* makes them during their school and college period an allowance of 80 to 120 roubles monthly. The fees which are paid by the students come to about 100 roubles per annum, plus three roubles a day for food.<sup>1</sup>

The employees of the rural consumers' societies are organised in their special consumers' co-operative employees' trade union with a membership of many hundred thousands. Sixty per cent. of the income of this Union is spent on educational and cultural work among its members. It is run by local trade union committees in co-operative trading units, and makes a great contribution to the general educational and cultural effort of the movement.<sup>2</sup>

The following are only a few examples of work carried on by the Union all over the country. The Altai Territorial branch of the Union organised in the third quarter of 1944 314 lectures and more than 3,000 readings of newspapers or talks, which were attended by over 46,000 people. It set up twenty-eight new "Red Corners," issued 275 wall newspapers and formed circles to teach 131 illiterate and semi-illiterate people to read.

In the fourth quarter of 1944 the travelling library of the Union in the Moscow region served eighty-six points, to which it lent 48,000 books. Of the 3,000 readers, 40 per cent. read fiction, 24 per cent. books on general political questions, 4 per cent. scientific and 32 per cent. children's literature.

The cultural activities of the rural consumers' co-operative societies are interwoven with those of such other organisations in the area as village soviets, collective farms and village reading-rooms.

The Union of Consumers' Co-operative Employees plays an important part in organising educational and cultural activities in the local societies. The work is based on clubs that encourage amateur art, dramatic, choral and sometimes choreographic circles. In the offices of the *Selpo*, or tea-rooms, is usually to be found a recreation-room or a "Red Corner," where magazines,

<sup>1</sup> For a detailed description of the programme, etc., see *Report*, pp. 28-30; also see Appendix XII, p. 116.

<sup>2</sup> J. Semenov, *Co-operative Review*, May, 1945, p. 77.

newspapers and games like chess and draughts are available and lectures are given. In the "Red Corner" a wall newspaper will tell of the success of Socialist competition in local enterprise and the output of leading local workers. There are also children's commissions which arrange parties and entertainments for children of the co-operative workers.

The money devoted to these activities being based on turnover and not on profit, a reasonable income is assured for cultural work—local co-operative societies pay 0·07 per cent. from their trading and 0·65 per cent. from their processing turnover. The *Selpo* retains for its local activities 20 per cent. of such income, and hands over the rest to *Centrosoyus*, which in turn subsidises local societies in need of help.

The position of the regional and district union societies is brought out clearly in an important report recently published by the British Co-operative Delegation to the Soviet Union, which contains some interesting facts about the Moscow and Leningrad regional unions.

In the Moscow Regional Union<sup>1</sup> there were in the second half of 1944 sixty-seven district and 413 local societies, running 2,347 shops, 219 restaurants, 266 bakeries, 186 warehouses and 300 grain warehouses. The combined membership of all societies in the area was about half a million, and the total capital over 60 million roubles. They employed 16,300 persons, 85 per cent. of whom were women, as compared with the staff of *Centrosoyus*, which is only 70 per cent. women. The Regional Union acts as the central buying agency purchasing goods, mainly from *Centrosoyus*, and supplying them to the district and local societies.

New wartime activities have been taken on with great ingenuity and resource. First there is the collection of scrap metal for munitions: 340,000 tons of non-ferrous scrap metal were collected in the region during the war. In quite another field of activity, 1,000 tons of dried bread and 7,000 tons of pickled cabbage were prepared in 1943 as part of a stored-food programme. The Union has maintained its educational activities. About a thousand people passed through a full-time course of training in the first quarter, and 1,350 in the last quarter of 1944.

The fate of the Leningrad Union gives a good example of the terrible destruction caused by the German invasion. Before the war it had seventy-two district societies, with 434 local societies, totalling 554,000 members. During the war, at a time when two-thirds of the area was overrun by the Germans, the number of local societies had fallen to 127 and that of district societies to

<sup>1</sup> See *Report*, pp. 13-14.

sixty-six. Total membership had been reduced to 222,000 and the number of employees had fallen accordingly from 24,000 to 7,600, of whom 88 per cent. were women.<sup>1</sup> After the German retreat, reconstruction of co-operatives began grimly. In the second half of 1944 there were in this area 1,163 retail shops, 217 restaurants, 186 bakeries, 97 grain stores and 69 wholesale warehouses already in operation. Rehabilitation has now become the main preoccupation of the Union: there had been rebuilt by November, 1944, 250 retail shops, 40 bakeries, 37 warehouses, 60 restaurants and 22 offices. The Union was actively manufacturing consumers' goods, such as earthenware and wooden utensils and hosiery from local materials and repairing clothes and boots. It has also farms of nearly 5,000 acres for growing of potatoes and vegetables and has established fisheries and machinery for collection of eggs, wool, metals and rags.

Some idea of how a district society works can be obtained from the experience of the Pargolov district society established in 1921.<sup>2</sup> The membership of this society was 11,000 before the war, though it had been reduced to about 3,500 by October 1st, 1944. It had seven local societies, controlling 58 shops, 20 restaurants in its 7 bakeries, 2 tailor-shops, 2 clothes-repairing shops, 1 mineral water factory, 2 fish-shops, 3 barber shops and 2 warehouses. The societies in the district employed 648 persons, of whom 503 were women. The society runs its own farms and has organised successfully the collection of metals, hides, old rubber and berries. The *Report* contains descriptions of a number of local societies, or *Selpo*, visited by the Delegation, among them Kusminski (6,000 members and eight shops), Veeshniyakovsky (6,000 members and thirteen shops), Sneegiry (1,300 members and five shops) and Tomilino (nine shops covering two villages). The Veeshniyakovsky and Sneegiri societies each had a woman chairman. In Tomilino, which is one of the largest of the *Selpo*, trade was increased by the sales of toys and woollen goods manufactured locally by village people. In this area a State shop was found close to the *Selpo* shop, supplying the workers of a few factories in the neighbourhood. Some of these workers were actually members of the *Selpo*, though they were at the same time being supplied with rationed goods through the State shop.<sup>3</sup>

These examples illustrate the work that is being done through-

<sup>2</sup> See *Report*, p. 18.

<sup>2</sup> *Ibid.*, p. 19.

<sup>3</sup> The *Report* adds: "In every case where there was a State shop in the close proximity of the local *Selpo*, the co-operative organisation compared more than favourably from the standpoint of cleanliness, etc., with the State shop" (see *Report*, p. 21).

out the Union by the consumers' rural societies to maintain the level of production and supplies of food and other consumers' goods. They surpassed their plans for 1943 in what they achieved. Their turnover in food and industrial goods was 13 per cent greater for the whole Union than in the preceding year and the network of co-operative catering societies was greatly extended.

Particularly successful were the consumers' societies in the collection of grain, potatoes and vegetables and in the preservation of vegetables, e.g. cucumbers, tomatoes and cabbage, for the Red Army. At the same time the collection of raw materials for use in industry, e.g. wool and hides, rags and bones, as well as metal scrap, was much intensified.

The co-operative supply of different agricultural products, such as medicinal plants, mushrooms, wild fruit and berries, game, small cattle, etc., has also increased. Consumers' co-operatives are entrusted by the Soviet Government with part of the purchasing of raw materials and finished goods (potatoes, vegetables, eggs, wool, etc.), which are to be delivered to the State in accordance with the law of compulsory deliveries, and these goods are used primarily for supplying the Red Army and the most important industrial centres.

Reference should also be made to the contribution of consumers' co-operatives in wartime to the processing of vegetables, potatoes and fruit (pickling, salting, drying). In pre-war times the dehydration of vegetables by consumers' co-operatives was insignificant in amount, but to-day dehydration makes for more efficient preservation of goods and also reduces the transport needed for their distribution, and thousands of new drying plants, turning out thousands of tons of dried potatoes and vegetables for the needs of the Red Army, have been built during the war;<sup>1</sup> the supply of dried vegetables rose in 1943 by 25 per cent.

Many co-operative societies have established subsidiary farms for the supply of agricultural produce to their own members. Practically every district union of co-operatives has its own grain farms, livestock farms, fish-ponds and the like. In 1943 the area which they had under crop was 10 per cent. above the 1942 figure and the catch of fish had increased by 27 per cent.<sup>2</sup>

The story related in the preceding paragraphs shows clearly that, to meet the problems arising from the disorganisation of war and in particular the drying up of the ordinary channels of supply,

<sup>1</sup> See *Review of International Co-operation*, Nos. 3-4, p. 47.

<sup>2</sup> See *Co-operative News*, July 15th, 1944, p. 10.

consumers' societies have had to fall back on local resources. They have had to extend their industrial activities in order to produce more of the essential consumers' goods which, before the war, had either been delivered from industrial centres or to a much smaller extent manufactured by local industries and handicraft co-operatives. The rural co-operatives soon found it possible to produce on the spot the goods which their members needed: in nearly all parts of the Union soap, candles, some chemicals, pottery, furniture, barrels, harness, felt and other goods were before long manufactured locally.<sup>1</sup> Nor was insuperable difficulty encountered in the production of cheese, beer, malt and non-alcoholic drinks, in the smoking and drying of fish, nor even the establishment of shops for repairing boots and clothing.

Every day the Soviet Press has published facts confirming the enormous scale of this industrial revival. The following description for the Stalingrad district, a typical one, illustrates how the special conditions of every locality were turned to good account.<sup>2</sup>

As that experience shows, local industrial production can be organised simply and without special outlay. For many industries there has been no need to build special premises; ordinary country cottages and empty warehouses were adapted, simple equipment made on the spot, and specialists found locally. Employment in these local co-operative enterprises attracts the labour of old people, invalids, women and youth, as well as evacuees from the western districts. Most of the raw materials needed have been found in every district, if and when the local co-operators have shown the necessary initiative and drive.

<sup>1</sup> "Consumers' societies and their unions have organised thousands of industrial enterprises, mostly small, which rely upon ample local supplies of raw materials and use the services of collective farmers in their free time, also of housewives, invalids, etc. There are nearly 10,600 such enterprises making clothes, shoes, harness, barrels, soap, rope and other goods. In 1942 the value of their output was 229 million roubles, in 1943 665 million roubles and for the first half of 1944 545 million roubles" (see *Review of International Co-operation*, Nos. 3-4, 1945, p. 47).

<sup>2</sup> There the District Consumers' Co-operative of Frolov organised its own soap factory. The raw material which it required came from the waste fat of the slaughter-houses, and enough soap was thus produced to meet the needs of nearly the whole population of the region. The District Consumers' Co-operative Society of the Serafimov Region has used the wool to produce knitted garments, and its workshops are also making combs, kitchen tables, and stools, all for local consumption. The Kalatchev Society turned out combs, wooden spoons and crockery, leather goods and built two brick factories. Not far from Stalingrad, factories are processing offal and making household soap and leather goods. From many other factories come haberdashery, woollen goods, earthenware and simple furniture.

In 1943, local production of consumers' co-operatives was three times that of the previous year and included 600,000 pairs of felt boots, about 150,000 sets of war jackets and trousers, over 100,000 sheepskin coats, 170,000 caps and hundreds of thousands of sets of knitted goods. Part of the available stocks of wool, sheepskins and leather were devoted to the manufacture of clothing for the rural population. In their distribution, priority was given to the families of mobilised men, to war invalids, and to schoolchildren.

Among the other temporary activities of rural consumers' societies has been the popularising of war loans. Members of local societies have subscribed many thousand millions of roubles. From their dividend funds they have contributed 68 million roubles to build a tank unit for the Red Army. Furthermore, with the liberation of Soviet territories, the consumers' movement, and especially the C.W.S. (*Centrosoyus*), is taking a leading part in re-establishing consumers co-operatives in the liberated areas. The scale of destruction of co-operative shops, warehouses, bakeries and canteens during warfare and occupation is hard to believe: but members of societies in other areas are helping to repair the damage and rebuild where necessary both by their own effort and by subscriptions for the increase of share capital. The task of getting co-operation going once more in these districts is one of the principal tasks of *Centrosoyus* and much is being done in this direction. According to data given for September 1st, 1944, in the liberated regions of the Russian, Ukrainian, Byelorussian, Karelo-Finnish, and Moldavian Republics as many as 1,309 district unions, 11,061 consumers' societies, 23,792 shops and booths, 2,536 dining-rooms and tea-rooms, 1,580 bakeries had been re-established.<sup>1</sup>

In the light of these achievements, it can truly be said that the rural societies have progressed far since their reorganisation in 1935, and that the new and difficult tasks with which the war has confronted them have been met with courage and imagination.

#### (c) *Urban Distribution*

Under war conditions the organisation of distribution has been even more difficult in the towns than in the country. The front came very near to Leningrad, Moscow and other important industrial centres, and much of the urban population had to be supplied under real "front-line" conditions. Thus, there was a revival of the "closed" supply organisation in the factories by the

<sup>1</sup> *Review of International Co-operation*, Nos. 3-4, 1945, p. 48.

formation of the Workers' Supply Departments, as supplies to the most important war factories had to be ensured and there were no longer the urban co-operatives to see such a hard job through. The Workers' Supply Departments, set up in important industrial enterprises, were authorised to secure their own subsidiary sources of supply and to provide the workers with food at cheaper rates. The food had to be obtained from auxiliary farms, kitchen gardens and other enterprises, and some State farms were allocated to the Workers' Supply Departments. The railways organised auxiliary fisheries, and the iron and steel industries established hundreds of workshops to produce household goods from local materials or scrap and exchange them for agricultural produce. The Workers' Supply Departments fell back on the early experiences of the "closed co-operatives" period, when food-production was to some extent run by co-operative units (see p. 57).

It has always been important for the Soviet Union, a country of immense size and with a rapidly growing industrial population and rising standard of living, to decentralise its food production to the utmost and to develop sources of food supplies as near as possible to the industrial centres. It was inevitable that in winter-time considerable quantities of processed food should have to be transported to these industrial centres and that such commodities as sugar, salt, canned fish and meat or dried fruit should be supplied from the towns to rural communities. It was, however, equally essential that perishable goods like milk, vegetables, eggs and fruit should have to "travel" as little as possible, and that when practicable they should be produced around the cities. It was essential, not only in order to relieve the heavily overburdened transport system, but also to meet the shortage of storage installations, the numbers and capacity of which were far below the needs of the large urban centres and still far from satisfactory in operation.

Great efforts were made, therefore, to create poultry, pig and dairy farms, market and fruit gardens in and around the industrial centres. This tendency was speeded up during the war, when factory Workers' Supply Departments had to rely greatly on their own farms or allotments and in developing them showed considerable initiative and inventiveness.

There is no doubt that the special attention given to local food production has helped the Soviet war effort enormously. It is estimated that over 30 per cent. of the total food supplies were produced locally during the first year of war and probably 40 per cent. in the second. The large-scale use of waste products for

feeding pigs has yielded great quantities of meat. Hospitals, universities, schools and other institutions have started to run their own farms. *Pravda* urged in 1943 increased vigilance to ensure that the food distributed by Workers' Supply Departments go only to the industrial workers entitled to it, since "criminal elements" can find their way into canteens and shops. "Things must be so arranged that every private list drawn up for illegal distribution is immediately made public or placed before the Courts." The trade unions have been entrusted by the State Committee for Defence with control over the distribution of food in canteens and shops and, in order to stop all leakages, inspectors have been appointed in each republic, territory and region.

A great many allotments, both private and collective, have been cultivated. In 1943 1,900,000 acres were being run as private allotments and were used by 11,625,000 workers. In 1944 their number had grown to 16½ millions. The All-Union Central Council of Trade Unions asked allotment holders to continue their efforts in 1944, and factory trade union committees and allotment commissions were requested to ensure punctual provision of seed potatoes, to arrange for proper storage of the crops and to conclude contracts with collective State and auxiliary farms for the dispatch of seedlings to allotment-holders.

At the end of 1942 a decree secured for holders of the allotments possession of their land for five to seven years. The decree seems to cover both individual holders and subsidiary farms acquired by factories and institutions.

During the war, the wide network of canteens was used specially to feed children and men on leave. The canteens worked overtime on a shift basis in order to satisfy the pressing demand for food. Where factories have Workers' Supply Departments, these are held solely responsible for the proper allocation of supplies to the canteens. Their duties cover the prevention of pilfering and the supply of working personnel. The Soviet Press has often emphasised, during the war, that the Party organisations must be held responsible for the proper functioning of the restaurants. If the workers' domestic conveniences are below standard, if shopping arrangements are bad, or if the restaurants are inefficient, the leaders of the Party are obliged to put matters right immediately.

The need to re-establish Workers' Supply Departments and to allocate special tasks to the trade unions, in order to secure improvements in urban distribution and to develop allotments on a mass scale, clearly shows that the lack of urban co-operative societies mobilising local initiative is badly felt in the Soviet

Union. Efforts are being made to find a remedy for this omission through the activities of trade union organisations.<sup>1</sup>

#### (d) *Handicraft Co-operatives*

During the war the handicraft co-operatives switched over to war work, and their output in that field increased tremendously.

Special interest attaches to this work. Handicraft co-operatives were formerly found as a rule in smaller localities which lacked facilities for running the larger type of factory. They specialised in consumers' goods and their output supplemented the output of the larger units. Important from the social point of view is the fact that they attracted craftsmen, often older people, who had been brought up in home industries and preferred the atmosphere of a co-operative shop to that of the modern Soviet factory.

With the war, a significant change in this state of affairs came about. The craftsmen who had been quite content making such things as window latches, locks, iron rakes, stove equipment, kitchen utensils, spades, spoons have responded to the more urgent demands of the war. Their knowledge and varied experience enabled them to switch over quickly from making those peacetime gadgets, which they did with a minimum of equipment, to manufacturing anti-tank equipment, machine-gun parts, and so forth. All those evacuated factories which understood how to mobilise the handicraft co-operative societies and to give them the right equipment and technical advice have obtained extremely gratifying results.

On the other hand, the mere fact of being engaged on war work has obviously meant a reduction in their contribution to the consumers' goods supplies, especially those of the collective farm markets. The shortage of consumers' goods has thus been intensified and the position of the markets undermined. In

<sup>1</sup> The *Soviet War News* published on March 13th, 1944, the following Report: "The Twelfth Plenary Session of the All-Union Central Council of Trade Unions opened on March 11th, 1944, in Moscow.

"The chairmen of the Central Committees and of a number of regional and factory committees of trade unions are taking part, as well as leading industrial workers, Stakhanovites, engineers and technicians and the most active trade union members from factories in the capital. The session has confirmed the following agenda: (1) The work of trade union organisations for the further development of Socialist emulation. (2) Measures for further development and improvement of individual and collective allotment cultivation during 1944. (3) Increased control by trade union organisations over the work of dining-rooms, shops and auxiliary farms. (4) Organisational matters." This agenda shows what importance is attached to distribution and the organisation of allotment work.

consequence, a wide and effective campaign for a proper distribution of the output, as between war material and consumers' goods, has gone on for some time in the Soviet Press.

Experience thus shows that under conditions of organised and planned economy, handicraft co-operatives can become useful auxiliaries to the State industries. The fact that they work mainly for local needs, using such local raw materials and such labour as is not particularly suited for conditions in the factories of to-day, makes them a useful and important factor in Soviet economic life. Since the Government began to encourage the regionalisation of supplies and greater reliance upon local resources, they have been called upon to play an important part in the production of consumers' goods. It follows equally that the producers' co-operatives have helped considerably to supply the needs of both the battle and home fronts. In the R.S.F.S.R. alone, their factories produced in 1942 about 4,000,000 pairs of felt boots, 16,000,000 metres of fabrics, about 8,000,000 pieces of knitted goods, 7,000 tons of soap and 188,000 sledges. Over the country, on a whole, they produced over a million tons of peat, 470,000 tons of coal and 4,000,000 cubic metres of timber.<sup>1</sup>

The handicraft co-operatives are being rapidly re-established in the newly liberated territories: indeed, early in 1944, it was reported that 2,500 handicraft co-operatives were already producing consumers' goods in liberated localities.

<sup>1</sup> *Co-operative News*, July 15th, 1944, p. 10.

## CHAPTER VII

### CONCLUSIONS

WHAT LESSONS ARE TO BE LEARNT from the varied experience of the Soviet co-operative movement through the years of peace and war. They are many in number and may be classified under the headings used in the earlier chapters of this book.

#### (a) General

(1) The outstanding lesson is that under a planned economy social and economic effort need not become monotonous and uniform: the co-existence on the one hand of a multitude of voluntary co-operative organisations, and nationalised industry and State trade on the other, have proved in the Soviet Union to be a working proposition. Their success has been greatly facilitated by the regionalisation and decentralisation of economic organisation within the framework of planned national economy. Such decentralisation has been essential to the establishment of a sound co-operative structure, as one which assists in developing the collective initiative of the people in each locality.

(2) Distribution has proved to be much more difficult to organise than production and the machinery of distribution has thus become the most vulnerable part of the State economic structure. In no other part has the danger of inefficiency and bureaucracy been so apparent.

(3) A comparison between the methods used and the results achieved by the co-operative societies in rural areas and the State trading bodies in urban areas clearly puts the co-operative organisation in a favourable light. In a planned economy co-operation is probably one of the best safeguards against inefficiency and bureaucracy.

(4) In any country it is of supreme importance that agreement should be reached between the party representing organised labour and the co-operative movement as to the role which the latter should play in the period of transition from a capitalist to a socialist economy. The experience of the Soviet Union should warn us how costly the failure to reach such an understanding from the outset can be in both the long and short run.

In order to avoid elsewhere a waste of social energy similar to that experienced in the U.S.S.R., the Labour, co-operative and trade union movements would be well advised to study, each in its own field, the peculiar economic conditions of their countries and to prepare beforehand plans for the division of functions and responsibility between them during the transition period.

(5) The new relationship established between the State and co-operative societies in the Soviet Union differs fundamentally from that which exists in capitalist countries. The Soviet co-operative movement is neither suspicious nor afraid of the State as an unfriendly power supporting capitalist competitors, simply because there are none in the U.S.S.R. There State and co-operative economic institutions function as integrated and complementary forces. That is why Soviet co-operative societies neither have, nor need have, financial and insurance agencies of their own. They obtain from the established banks and insurance concerns of the State the credits necessary to finance the annual production plans.<sup>1</sup>

(6) Not the least important is the lesson that rural co-operation can be at one and the same time an essential feature of a planned economy and the main expression of functional democracy in the countryside. Rural co-operatives have come to occupy a leading place in Soviet economic life, because the State has learned that it can get to work and feed the 20 million peasant families only by organising them in producers' and consumers' societies. There are now 300,000 of them, forming so essential a part of the front-line in Soviet planned economy that without them that economy could not succeed or even indeed exist. It is, of course, true that the Communist Party has the last word in *formulating* the economic policy of the country, and to this policy the special tasks of the co-operative sector are naturally subordinated, but the existence and operations of 300,000 co-operative units create a firm foundation of functional democracy in rural Soviet life.

1 The British Co-operative Delegation to the Soviet Union gives the following report: "Members of the Delegation questioned Mr. Sidorov about the exercise of control by the State over co-operative organisations. Mr. Siderov replied that State control existed only in regard to such questions as hours of opening, sanitary conditions, prices and weights of goods. As far as general operations were concerned, co-operative societies were free to control their own destinies. From observations and questions put to various co-operative organisations, this appeared to be a fact" (see *Report*, p. 13).

It is evident that the above quotation refers to *direct* State control only, and leaves out the relationship between the Co-operative movement and the Communist Party, a bond of no less importance than the direct control of the State.

(b) *Collective Farms*

(7) The almost personal relations existing between a farmer and the land on which he works and the animals he looks after have not lost their significance under Soviet conditions. It has been clearly proved that farmers or land workers will pay more attention to a piece of land or to animals if such are *permanently* in their possession or care. As a result of this experience, the work on collective farms is so organised as to enable the same group of people to work on the same piece of land or look after the same herd. The improvements which are thereby bestowed on the land and the animals go hand in hand with the increased remuneration of the people concerned.

(8) In the successful endeavour to harmonise co-operation and individual effort in the work of the collective farms lies another lesson. Individual and collective incentives are brought into play and controlled, not as contradictory, but as complementary forces. A member's "homestead" economy is intended to yield him something over and above the fruits of his main labour, that done on the collective farm. And though the balancing of collective and individual incentives has not been easy, a feasible arrangement has gradually been evolved. War conditions have, of course, greatly upset this arrangement, but the return to a peace economy will doubtless help to restore the balance.

(9) The distinctive role played by State-owned machine tractor stations in providing mechanical and scientific assistance for collective farms deserves special attention. Clearly, Soviet experience in this field could be utilised by other States, though not necessarily under conditions of collective economy.

(c) *Handicraft Co-operation*

(10) It follows also from Soviet experience that productive co-operation can fill an important place in a planned economic system, particularly in the less highly industrialised countries, where during the early years of rapid industrialisation large groups of handicraft workers can be organised in small co-operative enterprises, and not be forced into factories for which some of them are ill suited. Soviet handicraft co-operatives have clearly proved their capacity to develop and work successfully as a part of planned State economy and thereby supplement the productive energy of State industries.

(d) *Co-operative Banking and Foreign Trade*

(11) The advantages of one national co-operative bank, serving all types of co-operative societies and mobilising their

resources for mutual support and assistance, have been richly and irrefutably demonstrated in the experience of Soviet co-operative banks. Given proper organisation, such banks are able to grant credits, not only to central, but also to regional and local co-operative societies, thus covering the whole field of co-operative activities in the country. Soviet experience has also proved, like our own, that it is much better for trade unions to use co-operative banks for financial purposes than to establish banks of their own.<sup>1</sup>

In a similar way, special Co-operative banks for facilitating foreign trade have greatly assisted the development of co-operative trading abroad, supported as they have been by foreign banks.

(12) Important too are the great possibilities for collaboration between co-operative organisations of different countries in foreign trade, facilitated by co-operative banking. By these means, Anglo-Soviet co-operative trade has grown rapidly, notwithstanding extremely difficult political conditions. The financial assistance given by the C.W.S. to Soviet co-operatives has had the most beneficial effects on the development of Anglo-Soviet trade in general.

Past experience shows how very necessary it is that national co-operative organisations should endeavour to collaborate as an international movement, in all spheres of economic activities, and especially in foreign trade.

#### *(e) Consumers' Co-operation*

(13) The colossal size of the U.S.S.R., the distances that goods must travel to reach the consumer and the shortage of consumers' goods, including many necessities, have made necessary the establishment of a regional and decentralised network of distribution. In rural districts the small co-operative societies have proved to be the only means available for building such an organisation on popular as distinct from purely bureaucratic lines. They have been able to mobilise the rural population into active participation in the distributive processes and to provide scope for increasing individual and group responsibility, however weak ~~it was~~ to begin with. As more personnel is trained and more experience gained in operating over a considerable period of time, the efficiency of co-operative organisations is improving and they are gradually helping to develop a higher level of co-operative democracy.

(14) The consumers' societies have become the pivot of the

<sup>1</sup> See N. Barou, *Co-operative Banking*, London, 1932.

whole Soviet machinery for purchasing agricultural products and raw materials. They are the main local collectors for the State purchasing organisations and they also buy a great deal of agricultural produce for the needs of their own members.

(15) The societies show great initiative and ingenuity in developing local co-operative industries, dependent mainly on local materials and labour. This justifies the demand that in nationalised industries the co-operative sector should be given special scope and consideration.

(16) The consumers' societies, and their central, regional and district organisations, are acting as the representatives of organised rural consumers in all matters affecting their interests as consumers, and especially with regard to the planning of trade. They take a leading part in the preparation of central, regional and local plans for the distributive trade and at the same time endeavour to represent the interests and the desires of their members in selecting the range and quality of goods and influencing the choice of priority of their production.

(17) The experience of the *Centrosoyus* shows that, under a planned economy, consumers' societies have to be effectively organised in one central organisation only. In comparison with the existing situation in this country, it may well be said that such an organisation has to combine the functions of the Co-operative Union and the Co-operative Wholesale Society. Indeed, it must do so under the conditions of planned economy in order to retain its representative character and to speak with one voice for the organised consumer on all planning, regulating and other governmental and municipal bodies. It must also retain its unity of organisation in order to enforce certain rules and standards of co-operative conduct, without which it would not be able to carry on its work efficiently.

While we are fully aware of the differences in general conditions and political structure between the Soviet Union and this country, we still believe that if and when Britain has a planned economy, the Soviet experience ought to be very closely studied; and, furthermore, that the unification or at least far greater co-ordination of the central organs of the British co-operative movement would be of great benefit to all concerned.

(18) Together with collective farms and handicraft co-operatives, the consumers' societies constitute a school of popular education in management and organisation. Soviet co-operative organisations have fully realised the magnitude of this technical and social problem and the colossal material and human resources it requires. They are no less aware that the scope of the move-

ment's educational facilities is very limited. Efforts to extend their scope and increase the number of co-operative educational institutions were interrupted by the outbreak of the war, but a great deal of useful work has been done during the war and in preparing new plans for the rehabilitation of liberated areas.

(19) Soviet co-operative societies have advanced far on the road indicated by Lenin in the early days of the October Revolution, when he appealed to the co-operative movement "to establish a distributive machine growing out of the self-activity of the masses" and to make it possible "that the humblest within the nation should be induced to participate in such supply activities." "And this," emphasised Lenin, "is the main task which we have placed before the co-operative movement."

(20) In both scale and in quality the Soviet urban distributive machinery is still far from being satisfactory, and in the absence of urban consumers' co-operation the trade unions are called upon to do all they can to improve distribution.<sup>1</sup>

The Party still believes that the trade unions should be able to succeed, and declared quite recently that improvement of distribution must become one of their main tasks. Past experience has, however, shown that trade unions have very seldom been successful when running economic enterprises on their own.<sup>2</sup> The solution of the problems of urban distribution in the Soviet Union lies, therefore, in the re-establishment of a vigorous and responsible urban co-operative movement; it should be allowed by the State sufficient scope for making and executing plans for

<sup>1</sup> It is interesting to learn the attitude of the Soviet co-operators towards the re-establishment of urban co-operation in the Soviet Union. Mr. R. A. Palmer reported as follows: "We were informed that in 1935, because of the generally unsatisfactory condition of the retail distributive trade, the State decided to liquidate the co-operative establishments in the towns, and introduced State trading there; while in the rural areas the co-operative movement was allowed to concern itself with the adequate development of distributive agencies throughout the country.

"One of the first questions which came to our minds was whether it was possible in the future, when the co-operative movement had developed an adequate system in the rural areas, that the State would come along and take it over.

"We raised that point and we were pleased to learn from people who ought to know that it was more likely that the reverse would be the procedure: that, instead of the State developing from town to country, it was that the co-operative organisation would develop from the country into the town. Our informants held the view that the co-operative organisation were more efficient in their methods of distribution. Moreover, it was held that even during the extremely difficult days between 1921 and 1922, the distribution by the co-operative movement in the towns was more efficient than it is to-day by the State" (see *Co-operative News*, December 2nd, 1944).

<sup>2</sup> See N. Barou, *Co-operative Banking*, London, 1932.

distribution, and organisation of consumers' interests in all fields of social activities.

(21) The hope has been entertained in the Soviet Union that trade unions and groups of factory workers organised in Workers' Supply Departments will make up for the lack of urban co-operative organisation. This hope has not been fulfilled. The same is true of the expectation that trade unions could mobilise the initiative of the masses for the running of distribution. In both character and function trade unions are very different from co-operative societies. It is true that they helped to fight bureaucracy and other shortcomings in distributive organisations during the war emergency; but they are not really able to take the place of co-operation for building a large-scale but democratic machinery of distribution controlled by consumers.

(22) The abolition of urban co-operative trade in 1935 has enabled the Soviet co-operative movement temporarily to concentrate on the burning problem of rural distribution and has relieved it of the need to tackle the equally burning problem of managing large-scale urban co-operative societies on democratic lines. This problem would be obviously not much easier to solve in the Soviet Union than in other countries, and it is clear that the abolition of urban co-operative trade has only postponed the need for finding a real solution.

The major problem of organising urban distribution is still unsolved, and one can only hope that, with the great experience the Soviet Union has had in the working of functional democracy, it will be able to find a better solution for the working of large urban co-operative societies than that found so far by the co-operative movement in Western lands.

## APPENDIX I

### POPULATION<sup>1</sup>

		<i>Men</i>	<i>Women</i>
I. Census, January 1st, 1939 . . .	81,664,981	88,802,205	
II. Census, December 17th, 1926 . . .	71,043,352	75,984,563	
III. 1939 Census in percentage to 1926 . . .	115	116.9	

Year	<i>Total Population</i>	<i>Percentage of total population.</i>		
		<i>Total (urban)</i>	<i>Total (rural)</i>	<i>Urban</i>
1939	170,467,186	55,909,908	114,557,278	32.8
1926	147,027,915	26,314,114	120,713,801	17.9
1939 in % of 1926	115.9	212.5	94.9	—

<sup>1</sup> The figures in Appendices I-V and VII-X are based on those in *Socialist Building of the U.S.S.R. (1933-8)*, published in Moscow in Russian in 1940. Responsible editor, J. B. Sautin.

## APPENDIX II

### CLASS COMPOSITION (INCLUDING MEMBERS OF FAMILIES)

	<i>Percentages of total population</i>				
	<i>1913</i>	<i>1928</i>	<i>1934</i>	<i>1937</i>	<i>1939</i>
Workers and employees . . . . .	16.7	17.3	28.1	34.7	49.7
<i>Among them employed in machine tractor stations and State farms</i>	—	1.5	3.2	3.2	—
Members of collective farms and handicraft co-operatives . . . . .	—	2.9	45.9	55.5	46.9
Individual farmers (not counting <i>kulaks</i> , and individual master craftsmen; non-members of co-operatives) . . . . .	65.1	72.9	22.5	5.6	2.6
Capitalists (landowners, big and small urban capitalists, traders and <i>kulaks</i> ) . . . . .	15.9	4.5	0.1	—	—
<i>Among them kulaks</i> . . . . .	12.3	3.7	0.09	—	—
The rest of the population (students, pensioners, the Army, etc.) . . . . .	2.3	2.4	3.4	4.2	0.8
	100.0	100.0	100.0	100.0	100.0

APPENDIX III

WAGE- AND SALARY-EARNERS IN THE  
U.S.S.R. (1937)

	Numbers (in thousands)
1. <i>Industry</i>	10,111.7
2. <i>Building</i>	2,023.2
3. <i>Communications</i>	
Railways	1,512.2
Water transport	179.5
Miscellaneous transport	1,092.1
Miscellaneous communications	375.0
	<hr/>
	3,158.8
4. <i>Trade</i>	1,993.9
Catering	395.5
Credit and insurance	192.8
	<hr/>
	2,582.2
5. <i>Education</i>	2,303.0
Art (entertainment)	122.0
Health	1,117.6
	<hr/>
	3,542.6
6. <i>State and Social</i>	1,743.3
Communal and housing	753.7
	<hr/>
	2,497.0
7. <i>Agriculture</i>	2,482.6
Forestry	247.9
	<hr/>
	2,730.5
8. <i>Other branches (non-agricultural)</i>	246.0
	<hr/>
<i>Total</i>	26,892.0

APPENDIX IV

COLLECTIVISATION OF AGRICULTURE

(Statistics for July 1st, 1938)

	Numbers in thousands		
	1929	1933	1938
1. Collective farms . . . . .	57·0	224·6	242·4
2. Family members in collective farms . . . . .	1,007·0	15,258·5	18,842·9
3. Collectivisation in proportion of—			
(a) Peasant households . . . . .	3·9	65·6	93·5
(b) Sown area . . . . .	4·9	83·1	99·3
4. The share of different economic groups in total agricultural production:			
(a) Collective farms . . . . .	3·3	55·5	62·9
(b) Private homesteads of the members of collective farms . . . . .	1·6	14·0	21·5
(c) Soviet farms and auxiliary farms . . . . .	1·8	11·3	9·3
(d) Individual farmers . . . . .	93·3	19·2	1·5

APPENDIX V

DISTRIBUTION OF THE SOWN AREA AMONG DIFFERENT GROUPS OF PRODUCERS

	1929			1933			1938		
	Per cent.								
1. Collective farms . . . . .	3·5	72·2	85·6						
2. Homesteads of members of collective farms . . . . .	1·3	1·8	3·9						
3. Individual farmers . . . . .	93·3	15·1	0·6						
4. Soviet farms . . . . .	1·9	10·9	9·1						
5. Workers and employees . . . . .	—	—	0·8						
	100·0	100·0	100·0						

## APPENDIX VI

### THE WAR AGRICULTURAL EXECUTIVE COMMITTEES IN GREAT BRITAIN

THE MACHINERY DEPARTMENTS OF THE War Agricultural Committees in Great Britain perform a task which can be compared with that of the Soviet machine tractor stations. The War Agricultural Executive Committees possess machines for all agricultural purposes (such as tractors, ploughs, disc harrows, cultivators, drills, threshing sets, lorries and excavators), and supply them to any farmer who does not own all that he needs. The Committee is also responsible for the proper use of all such machinery in its area, and provides training in the use of the machines and in the technical supervision required. It also makes a yearly census of all machinery in the county, whether belonging to individual farmers, to special parish machinery pools, to agricultural contractors, or to its own machine department.

The Committee has the right to requisition the machinery of individual farms that is not being fully used, or to require it shall be used over a given period in accordance with the Committees' instructions. Parish pools are formed in order to facilitate the use of all available machinery in each locality. As might be expected, the services of contractors, especially for threshing machines, are in constant demand, with the result that they are as a rule fully employed.

The Machinery Department works through sub-committees, and usually has for the purposes of technical advice and education a technical development sub-committee. The latter has at its disposal a few instructors to teach farmers or to advise them on the proper use of agricultural machinery.

The sub-committee also supervises the granting to farmers of licences for buying machinery and sees to their just and proper distribution. Generally it can call upon a body of experts headed by machinery officers who are assisted by threshing, transport and assistant machinery officers and by special field foremen, mechanics, store-keepers and drivers. The county is usually divided into a few districts, each with its own machinery depot

managed by a district machinery officer and providing for the distribution of spare parts, fuel, oil, and so forth.

It is through the district officer that farmers get the machinery available with the utmost dispatch, as well as the technical personnel to run them; threshing, one of the most important and difficult branches of the work, is under the special control of the county officer. The machinery sub-committees also carry out a great deal of land drainage.

The organisation has its ramifications throughout the country; its 5,000 or so executive and distributive Committee members give a great deal of voluntary service, helping, by their initiative and special knowledge of local conditions, to secure excellent results in the country's agricultural production.

#### APPENDIX VII

### LIVESTOCK IN THE SOVIET UNION

(At the beginning of 1934 and 1938—million heads)

	Large horned cattle	Pigs	Sheep and goats	Horses
Total, 1934 . . . .	33.5	11.5	36.5	15.4
1938 . . . .	50.9	25.7	66.6	16.2
1938 in per centage of 1934 .	151.9	223.5	182.5	105.6
Distributed as follows:				
1. Collective farms (collective herds), 1934 .	8.3	2.8	10.2	9.6
Collective farms (collective herds), 1938 .	14.8	6.3	22.8	12.5
2. Collective farm members (individual herds), 1934 . .	12.6	3.1	11.8	0.4
Collective farm members (individual herds), 1938 . .	25.1	12.8	30.7	0.7
3. Individual farmers, 1938 . .	1.5	0.6	2.4	0.5
4. Workers, employees and others, 1938 . .	4.2	1.9	2.4	0.3
5. State and auxiliary farms, 1934 . .	4.2	3.6	6.4	1.6
State and auxiliary farms, 1938 . .	3.7	2.8	7.0	2.0

APPENDIX VIII

THE PROPORTION OF CONSUMERS' AND  
CAPITAL GOODS PRODUCED IN THE  
U.S.S.R., U.S.A., GREAT BRITAIN  
AND GERMANY

(a) *In Russia and the Soviet Union*

	1913 Billion roubles	1929 Billion roubles	1933 Billion roubles	1938 (estimated) Billion roubles
Total industrial production .	16.2	25.7	45.7	106.1
Production of capital goods .	5.4	10.9	24.5	62.1
Production of consumers' goods .	10.8	14.8	21.2	44.0
In percentage to total production:				
Production of capital goods	33.3	42.4	53.6	58.5
Production of consumers' goods	66.7	57.6	46.4	41.5

(b) *In U.S.A., Great Britain and Germany*

Production of goods	U.S.A.		Great Britain		Germany	
	1929	1935	1930	1935	1929	1934
Production of goods	55.8	52.2	47.7	47.9	50.7	49.2
Production of consumers' goods	44.2	48.8	52.3	52.1	49.3	50.8

APPENDIX IX

SOVIET TRADE  
(*In thousand millions of roubles*)

	1929	1933	1938 (preliminary figures)	1938 in per- centage of 1933
Turnover—				
Retail trade . . . .	14.6	43.4	126.2	290.8
Catering trade . . . .	0.6	6.4	12.4	193.7
Collective farms markets .	—	11.5	24.4	212.2
	15.2	61.3	163.0	265.9

## APPENDIX X

## TRADING, NETWORK

	1934	1938 (preliminary)	percentage of 1934 figures,)
Wholesale warehouses of State industries:			
numbers	718	2,046	285
	Thousands	Thousands	
Retail network of State and co-operative trade			
Number of shops	222.7	239.7	107.6
Number of stalls	62.6	115.0	183.7
	285.3	354.7	124.3

## APPENDIX XI

COLLECTIVE FARMING UNDER  
GERMAN OCCUPATION

THE NAZI ATTITUDE TO THE collective farms changed most significantly during the occupation of the Ukraine and the other farming districts of Soviet Russia. When the invasion began, German broadcasters promised "liberation" to members of the collective farms. It was soon reported that only the peasants of Eastern Poland and the territories incorporated in the Soviet Union in 1939 took these promises seriously and started dividing up the collective farms among individual households. At an early stage, however, the Nazis found it more useful to have the land cultivated in large economic units, and they disregarded their earlier promises, just as Ludendorff had done with his promise to share the landowners' estates among the landless peasants.

It would appear that the Nazis originally intended to put a German trustee at the head of each collective or State farm. An order of Ordnance Headquarters, Eastern Front, dated August

6th, 1941, which was found on German prisoners, commanded every officer "to employ any German landowners or large farmers in your unit to supervise the agricultural work in collective farms and State farms." Former chairmen of collective farms were supposed to work as foremen and to take orders through the interpreter from their new commissioners. Very soon there was a shortage of prospective German trustees, and the first modification of the original plan was made by wireless on October 9th, 1941, when it was announced that "The German authorities will appoint new leaders and in the localities where this measure has not yet been carried out you [i.e. the Russian peasants] will suggest your own candidate to take over the management of communal farmsteads." These "elections" were, of course, doctored by the Germans, who often suggested their own candidate, who had to be "elected."

The shortage of supervising personnel was indeed one of the main handicaps of the German agricultural policy in what were styled the occupied Eastern territories. Contrary to the original *Lebensraum* theory, the Nazis found very soon that they had not enough farmers for supervisory work in the collective farms. One of their most significant moves was to set up the Dutch East Company with the object of transferring hundreds of thousands of Dutch farmers to occupied Russia to act as chairmen or vice-chairmen of collective State farms.

While very reluctant to permit a general share-out of the land, the Germans tried nevertheless to introduce a completely new vocabulary for the agricultural units. The former State farms were rechristened "national farmsteads," while, when under German control, collective farms were called "communal farmsteads." The goods and chattels belonging to the farmstead, with the single exception of the private allotments, were expressly stated to be German State property: it should be remembered that under Soviet law collective farms enjoyed the use of their soil in perpetuity. The Germans exempted private allotments from taxation and from the beginning promised that "deserving farmers would be awarded more land." In the summer of 1942, a partial share-out of the "communal farmsteads" actually took place: then it was announced that 10 per cent. of these farmsteads were dissolved and the land distributed among their members. To cultivate the land, however, the members were asked to form voluntary co-operatives.

Finally, in a last-minute attempt to win over the weaker-minded part of the population, the promise was made in the summer of 1943 that farmers would have their private property

fully restored. It is at least doubtful whether they would if such an opportunity would be offered to them. As it is, the Red Army's swift reoccupation of Soviet territory has made it impossible for them to try. The Baltic Provinces are the only occupied territory where a really large proportion of the land seems to have been distributed and where special conditions prevailed at the time of the invasion.

A second handicap even more serious than the first was the shortage of skilled and even of unskilled farm labour. This came about partly because the best workers had left to join the Red Army; but the position was made still worse when millions of Soviet farmers were transferred to the Reich.

Further, the general upheaval resulted in a serious shortage of agricultural machinery, vehicles, tools, fuel, etc. It was announced that only sickles and scythes were available to cut 90 per cent. of the 1941 harvest. That situation was somewhat alleviated in 1942, by the dispatch of machinery from the Reich and by supplies from local industries. About 30,000 wood-gas generators were supplied in that year in order to get the repaired tractors working: 100,000 ploughs came from the Reich, and more were produced in Ukrainian factories. Most of these ploughs were horse-drawn and even in August, 1943, according to a correspondent of the Berlin newspaper, *Deutsche Allgemeine Zeitung*, the proportion of land worked in the Nogai Steppe with the help of machinery was only 20 per cent. of the area cultivated, as compared with 80 per cent. before the war.

Still less could the stocks of draught animals and of livestock in general be rehabilitated in so short a time. In 1942 a reporter from the *Muenchener Neueste Nachrichten* described as typical a farm which had only seventy horses as against 125 before the war, seventy-five cows against 170 and not one of the sixty pigs which it formerly possessed. According to an estimate by the Swedish paper *Aftendingen*, the stock of cattle on Ukrainian farms was reduced after twelve months of German occupation to 20 per cent. of the normal stock.

Finally, the severe shortage of industrial consumers' goods, combined with price inflation throughout the occupation period, made it hardly worth the farmers' while to deliver any produce to the authorities. There developed, however, a large-scale black market in such goods.

The Swedish paper *Aftendingen* reported that in 1942 the grain crop was about 20 per cent. of normal and sugar about 30 per cent., but only about half of this amount was used by the refineries. The Germans, nevertheless, managed to get a surplus

from the rural population simply by cutting their rations below starvation level. But the quantities so received were moderate. Practically no grain was exported to Germany in 1942, although the military authorities on the spot commandeered "some hundreds of thousands of tons" of it for the *Wehrmacht*. The *Koelnische Zeitung* said that in 1943 the quantity of grain "above the farmers' own needs was about 50 per cent. higher than in the preceding year," which would still be a very low figure. Moreover, a comparatively small proportion of the cereals consisted of wheat and rye crops, which before the war accounted for over half the area under grain in the Ukraine. Of the grain collected during 1943, however, only 20 per cent. was wheat, 12 per cent. rye, 40 per cent. barley, 8 per cent. oats, 14 per cent. millets and 6 per cent. maize.

The Germans seem to have cultivated certain industrial plants with slightly greater success. Independent estimates are hard to come by and German sources are doubtful, but the Nazis' claim to have been able as a result of the "Russian windfall" to keep the German fat rations up to a fairly high level sounds credible.

Up to 1943, said the *Voelkischer Beobachter*, over 100,000 tons of oil-seeds were exported to the Reich, and Radio Zeesenst announced at the same time that 250,000 tons of oil seeds had by then reached Germany from the Ukraine.

#### APPENDIX XII

### CO-OPERATIVE EDUCATION

THE CONSUMERS' CO-OPERATIVE MOVEMENT is very energetically extending and improving the educational facilities it provides. In the academic year of 1944-5, the Soviet co-operatives maintained two co-operative colleges, one co-operative teaching institute, forty-four co-operative vocational schools and fifty-four co-operative trading schools.

In addition to all these, the consumers' co-operative unions for each region, territory and republic provide special courses for students. The attendance at these courses runs into tens of thousands.

The two co-operative colleges in Moscow and Kharkov have a combined strength of about 1,000 for a four-year course. Each

college has three departments; in the first, accountants and economists are trained; in the second, students are trained in trade economics in order to become planning experts; in the third, the goods department, students acquire expert technical knowledge of manufactured goods and food products.

There are also general subjects which are studied in all the departments. These are political economy, economic geography, higher mathematics, foreign languages, statistics, history of national economy, book-keeping, Soviet trade, and the organisation and technique of Soviet trade economics.

In each department students can also take special subjects, such as economics, analysis of balance sheets, operation of accounting machines, planning of the purchase of agricultural produce and principles of finance and credit. Goods experts can study organic chemistry, physics and the properties of various goods. These two colleges therefore provide a very wide and full technical academic training for scientific planners and technicians.

The co-operative teaching institute is at Perlovo, near Moscow, and here are trained the teachers who staff the vocational schools. In addition to the schools already mentioned, there are two higher co-operative schools in Moscow and in Alma-Ata (Kazakhstan) which offer one-year courses for leading personnel of the regional and territorial co-operative unions. The two schools have an attendance of about 200, of which about half are women. The students are all workers with many years' practical experience in the co-operative movement.

In the national republics like Georgia, Armenia, Azerbaijan, admission to the co-operative vocational school is only permitted after the student has attended a seven-year school. At these seven-year schools personnel are trained to staff the district consumers' co-operative unions. Doorkeepers, goods experts, chefs, bakers and specialists in the purchase of fruits and vegetables, animals, raw materials, skins and furs are all trained in this way.

In the fifty-four co-operative trade schools the attendance in 1944-5 was nearly 6,000. Managers, assistant retail shop managers and instructors are trained in these schools.

Women students are overwhelmingly in the majority among the students at the co-operative vocational schools, which offer three-year courses in book-keeping, planning of goods, study of purchasing, culinary art and bread-baking. The general subjects in these schools include economic geography, organisation and technique of Soviet trade accounting, and one foreign language.

The co-operative movement also provides facilities for its staff workers to be trained through correspondence courses. The college standard of education can be acquired through a five-year correspondence course, vocational education through a four-year course, and book-keeping through a six-month or one-year course. In all, about 3,000 students avail themselves of these facilities.

Finally, there are refresher seminars for various specialists, ranging from chefs, egg-sorters, and vegetable-driers to planners, book-keepers and presidents of village co-operative societies. In 1943 alone, over 30,000 specialists attended one of these refresher seminars.

## INDEX

AGRICULTURAL CO-OPERATION, 27-50,  
78-80  
marketing and dairy co-operatives,  
31  
*See also* Collective Farms, *Selpos*.  
Agricultural plan of 1944, 30  
Agricultural C.W.S. *See* *Selkosoyus*.  
Agricultural technique, 30  
All Russian Central Union of Consumers' Societies. *See* *Centrosoyus*.  
All-Russian Co-operative Bank. *See* *Vsekobank*.  
All-Russian Co-operative Insurance Union, 29  
All-Russian Union of Agricultural Societies, 64  
All-Russian Union of Industrial Co-operatives, 54  
All-Union Central Council of Trade Unions, 98  
All-Union Council of Handicraft Co-operative Societies. *See* *Vsekoprosoviet*.  
All-Union enterprises, 55  
Altai Territory, 48, 85, 90  
Armenia, 47, 117  
Artel, 31, 72, 73, 76  
Asia, 14, 69  
Association for Manufacturing and Marketing of Handicraft Products. *See* *Kustarbit*.  
Azerbaijan S.S.R., 48, 117

BACKWARD COUNTRIES AND AREAS, 11,  
26, 48, 49  
Bakeries, 70, 91, 92, 95  
Baltic States, 82, 115  
Banking co-operative, 27, 28, 78-  
83, 102-3  
Berlin, 82  
Black market, 115  
Bolshevik Party. *See* Communist Party.  
Bonuses, 21, 40, 42  
British Co-operative Delegation to the U.S.S.R. in 1944, 20, 64, 65,  
66, 70, 101

Budget, 22, 23  
Bukhara, 76  
Ryelorussia, 76, 87

CAPITAL, 20, 34, 48  
Catering, 24, 67, 69, 89, 91, 92, 93,  
95, 97, 112  
Central Federation of Handicraft Co-operative Societies, 73, 74  
Central Organisation of Siberian Co-operatives. *See* *Zakupsbit*.  
Centralised collections, 41, 42  
Centralisation, 14  
*Centrosoyus*, 28, 30, 51, 53, 54, 60, 64,  
71, 79, 81, 82, 83, 89, 90, 91, 95,  
104  
Board of Directors, 89  
District Unions, 62  
National Congress, 89  
China, 14, 15  
Chossudovsky, E. M., 56, 57, 58, 60,  
61, 63  
Chruchtschev, N. S., 68  
Chuvash Autonomous Republic, 12  
Civil Service, 17  
Civil War, 11, 28, 52  
Closed co-operatives, 57, 59, 95, 96  
Collective farms, 30-50, 59, 61, 62,  
65, 84-8, 90, 102, 107, 109, 111,  
112, 113-16  
brigade, 45  
chairman, 32, 49, 85, 114  
Control Commission, 49  
during the war, 84-8, 113-16  
general meeting, 32, 34  
links, 43  
Management Committee, 32  
Model Statutes, 31  
Party cell, 32  
production programme, 34  
significant features, 33-34  
sub-farms, 37  
teams or squads, 32, 43  
Collectivisation, 18, 19, 56, 57, 62,  
88, 109  
Combines, 11, 60

Commissariat for Internal Trade, 60, 61, 62  
 Commissariat for Supplies, 61, 63  
 Commissariat of Food Industries, 43  
 Commissariat of Food Supply, 52  
 Communal farmsteads, 114  
 Communist Party, 13, 14, 52, 57, 60, 74, 97, 101, 105  
 Seventh Congress, 60  
 Eighteenth Congress, 17, 43  
 Ninth Congress, 52  
 Constitution, 14, 16, 17, 24  
 Consumers' choice, 26  
 Consumers' communes, 28, 29, 52  
 Consumers' Co-operative Bank. *See Pokobank.*  
 Consumers' co-operatives, 15, 18, 19, 20, 27, 28, 30, 51-71, 78, 79, 80, 87, 89-98, 103-6  
 For rural co-operatives, *see also Selso.*  
 Co-operative Wholesale Society. *See Centrosoyuz.*  
*Co-operative News*, 20, 93, 99  
*Co-operative Review*, 90  
 Credit Reform Act of 1930, 81  
 Credit societies, 27, 28, 78, 79  
 C.W.S. (British), 83, 104

DARYA GAMSH, 85, 86  
 Death duties, 17  
 Decentralisation, 14  
 Decentralised collections, 42  
 Denmark, 39  
 Department of Collective Farming in Ministry of Agriculture, 46  
 Deposits, 20  
 Direct contracts, 55, 56  
 Disposal boards, 56  
 Dividends, 20, 40, 43, 70, 89  
 Dutch East Company, 114

ECONOMIC DEMOCRACY, 11  
 Education in general, 32, 108  
 co-operative, 11, 26, 70, 71, 75, 89, 91, 104, 116-18  
 Estonia, 14, 87  
 Europe, 14  
 Export Trade. *See Foreign Trade.*

FEEDING STUFFS, 37  
 Fergana, 76  
 Fertilisers, 38, 40, 84, 86  
 Fishing co-operatives, 77

Foreign Trade in general, 54, 73, 81-3  
 co-operative, 30, 78, 81-3, 102-3  
 Fragment agriculture, 31  
 France, 15, 30, 82  
 Free market, 57

GARDENING PRODUCE, 38  
 General contracts, 55  
 Georgia, 47, 48, 117  
 Germany, 15, 30, 39, 58, 59, 82, 112  
*Gobosyuz*, 53, 54  
 Grain, 37, 40, 41, 42, 54, 57, 59, 84, 87, 88, 92, 115, 116  
 Great Britain, 15, 30, 58, 59, 68, 81, 82, 83, 112

HANDICRAFT CO-OPERATIVES, 17, 18, 19, 28, 65, 72-7, 87, 89, 94, 98, 99, 102, 104, 107  
 during the war, 98-9  
 functions, 73  
 output, 76  
 regional councils, 74  
 weak spots, 77  
 Hired labour, 18, 29, 74-5  
 Homesteads (of collective farmers), 32, 39, 40, 46, 47, 48, 102, 109

INCENTIVES TO UTMOST PRODUCTIVITY, 16, 21, 23, 24, 25  
 Income, 20, 21, 43  
 Independent producers (remaining in the U.S.S.R.), 18, 20, 24, 32, 65, 107, 109, 111  
 India, 15  
 Industrial crops, 37, 38, 40, 42  
 Industrial producers' societies. *See Handicraft Co-operatives.*  
 Industrialisation, 18, 27, 56  
 Infield, Henric F., 11, 31  
 Inflation, 22  
 Inhabited places, 15  
 Initiative, 14, 24, 25, 43, 52  
 Insurance, co-operative 27, 101  
 Interest, 20, 21, 22  
 Irrigation, 85  
 Investment, 112

JAPAN, 58

KALININ REGION, 87  
 Kalmukia, 32  
 Karelian-Finnish Republic, 14, 95

Karpinski, Professor V. A., 19, 31,  
     33, 35, 37, 45  
 Kazakh Republic, 32  
 Kazakhstan, 48  
 Kinov, 51  
 Kirghiz Republic, 40, 48  
 Klimenko, 46  
*Koelnische Zeitung*, 116  
*Kolkhos*, *See* Collective Farms.  
 Kovrov, 40  
 Krupenia, J., 88  
 Kulaks, 31, 56, 57, 107  
 Kusminski, 92  
 Kustarsbit, 73

**LATVIA**, 29, 30  
 Lenin, 13, 51, 72, 73, 105  
 Leninabad (Tadzhikistan), 75, 76  
 Leningrad, 57, 87, 95  
 Leningrad Regional Union (of Consumers' Co-operatives), 91  
**Lithuania**, 14  
 Livestock, 38, 39, 57, 84, 86, 87, 88,  
     111, 115  
 Loans, 80  
 Local co-operative societies, 12, 14,  
     15, 19, 20, 51, 53, 61, 78  
     auditing committee, 20  
     board of management, 20  
     democracy, 19, 20  
 London, 81

**MACHINERY DEPARTMENTS OF AGRICULTURAL EXECUTIVE COMMITTEES (IN GREAT BRITAIN)**, 36, 110  
 Machine tractor stations (M.T.S.),  
     19, 34, 35, 36, 43, 48, 65, 84, 87,  
     88  
 Makerova, 12  
 Margelan (Uzbekistan), 76  
 Market funds, 54  
 Market trading, 24  
 Marketable produce, 40, 41  
 Maynard, Sir John, 31  
 Mechanisation of agriculture, 18, 19,  
     29, 30, 31, 34, 36, 37, 56, 57, 88  
 Mensheviks, 12  
 Migration, 19  
 Millionaire farms, 47  
 Moldavia, 14, 95  
 Molotov, 43, 58  
 Monopolies, 11  
 Moscow, 57, 85, 88, 90, 95, 116, 117

Moscow District Union of Consumers' Co-operatives, 58, 64  
 Moscow Narodny Bank, 28, 53, 79,  
     81, 82, 83  
 Moscow Regional Union (of Consumers' Co-operatives), 91

**NAMANGAN (UZBEKISTAN)**, 76  
 National farmstead, 114  
 Nationalisation, 28, 51  
 New Economic Policy (N.E.P.), 15,  
     18, 28, 29, 30, 52, 53, 54, 72, 73  
 New York, 82  
 New Zealand, 39  
 Nogai Steppe, 115  
 Nomadic tribes, 48  
 Non-market funds, 54, 58

**OCCUPATIONAL DISTRIBUTION**, 14, 17,  
     107-9  
 October Revolution, 12, 13, 27, 28,  
     30, 53, 72, 105  
 Open market, 42, 43, 59

PALMER, R. A., 20, 70, 105  
 Pargolov District, 92  
 Paris, 82  
 People's Commissariat of Supplies, 53  
 Plan, planned economy, 13, 18, 19,  
     21, 31, 34, 54, 56, 59, 73, 84, 99,  
     100  
 Pokobank, 79  
 Poland, 113  
 Political neutrality, 20  
 Population, 17, 19, 107  
*Pravda*, 62, 86, 88, 97  
 Preliminary orders, 55  
 Premiums, 21, 24, 42  
 Price mechanism, 21  
 Prize lotteries, 22  
 Producers' co-operation. *See* Handicraft co-operatives.  
 Productivity, 19, 30, 36, 37, 46, 86  
 Professional, technical, managerial employees, 17, 21, 49, 117  
 Prombaz, 56  
 Property, collective and State, 16, 17  
     rights, 16, 17, 18  
 Provincial agricultural unions, 29  
 Provincial Co-operative Union. *See* *Gobosoyus*.  
 Public administration, 33

**QUOTAS**, 41

RAIFFEISEN, 78  
 Rationing, 15, 43, 52, 56, 57, 58, 59, 60, 89  
 Regional and district consumers' co-operatives, 89-92, 104  
 Regional (issue) warehouses, 56  
 Regionalisation, 14  
 Regulated goods, 55  
 Republican co-operative unions, 64  
 Research institutes, 49, 116-18  
 Retail trade turnover, 24, 61, 112  
 Revenue, 22  
*Review of International Co-operation*, 93, 94, 95  
 Rochdale pioneers, 20  
 R.S.F.S.R., 64, 76, 95, 99  
 Rural co-operation. *See* Agricultural Co-operatives and Collective Farms.

SAUTIN, J. B., 107  
 Savings, 11, 12  
 Schulze-Delitzsch, 78  
 Scottish C.W.S., 83  
*Selkosoyus*, 28, 29  
*Selpo*, 42, 64, 65, 66, 67, 90, 91, 92  
 auditing committee, 66, 67  
 general and delegates' meetings, 65, 66  
 managing board, 66, 67  
 members' rights, 65  
 secondary functions, 69, 70  
 Semenov, J., 90  
 Siberia, 19, 48, 52, 85  
 Sidorov, Mr., 101  
 Social security, 21  
 Socialist competition (or emulation), 25, 85-86, 91  
 Socialist Revolutionaries, 12  
 Soviet Academy of Science, 86  
 Soviet Agricultural Exhibition 1939, 49  
*Soviet War News*, 98  
 Sowing fund, 54  
 Special contracts, 41, 42  
 Stakhanovites, 21, 98  
 Stalin, 30, 31, 60, 61, 63, 65  
 Stalin Rules for Collective Farms, 59  
 State Bank, 33, 70, 80, 81  
 State Committee for Defence, 97  
 State distribution centres, 51  
 State employees, 17  
 State farms, 32, 87, 109, 111, 114  
 State Grain Collecting Department.  
*See* *Zagotzerno*.

State loans, 21, 42  
 State monopolies, 18  
 State trading, 18, 24, 55, 60, 61, 68, 100, 104, 112  
 Supplies Committee of Council for Labour and Defence, 74  
 Sweden, 15  
 Switzerland, 15

TADJIKISTAN, 47  
 Tartar Republic, 48  
 Taxation, 18, 21, 22, 23  
 in kind, 40, 41, 52  
 income tax, 22, 23  
 mill tax, 41  
 turnover tax, 21, 22, 23, 68  
 Tereshtenko, V. Y., 70  
 Tomilino, 92  
*Trade Union* (journal), 71  
 Trade unions, 14, 24, 71, 80, 97, 98, 101, 105, 106  
 Trade unions of co-operative employees, 71, 90, 91  
 Transit Bank at Riga, 82  
 Transition to Socialism, 13  
 Tsarist régime, 13, 20, 27, 68  
 Turkmenian Republic, 40

UKRAINBANK, 80, 81  
 Ukraine, 40, 52, 64, 76, 88, 95, 115  
 United consumers' societies, 51  
 Urals, 51  
 U.S.A., 14, 30, 39, 58, 59, 68, 82, 112  
 U.S.S.R. Commissariat of Agriculture, 31  
 U.S.S.R. Commissariat of State Farms, 31  
 Uzbekistan, 69, 70, 85

VEGETABLES, 38, 40, 42  
 Village co-operative societies. *See* *Selpo*.  
 Village co-operative stores, 20, 62, 63  
*Voelkischer Beobachter*, 116  
 Voluntary associations, 20  
*Vsekobank*, 20, 53, 79, 80, 81, 83  
*Vsekopromsoviet*, 74, 77

WAGE- AND SALARY-EARNERS, 17, 18, 24, 57, 107, 108, 109, 111  
 War Communism, 56  
 War of intervention, 11, 28, 52

War with Germany, 35, 50, 70, 84—  
99, 106, 113—16

Webb, S. and B., 31, 43, 54

Wholesale organisations, 22

Women in war-work, 49, 85, 86, 92,  
• 117

Work days on collective farms, 43, 46,  
47

Workers' Co-operatives, Third Con-  
gress, 13

Workers' Supply Department, 63, 87,  
96, 97, 106

*Wukospilka*, 64

YIELD (OF SOIL, ETC.), 37, 39

*ZAGOTSERNO*, 36, 41, 42

*Zakupsbit*, 28, 73

*Zemstvos*, 27